Commodity Futures Trading Commission

Agency Financial Report

Protecting commodity futures, option and swaps markets...

*From **Wall Street** to **Main Street***

Fiscal Year **2013**

This report is made by the U.S. Commodity Futures Trading Commission (CFTC or Commission). Information in this Agency Financial Report (AFR) is provided as of December 16, 2013 and covers the period October 1, 2012 to September 30, 2013, unless otherwise indicated.

In February 2014, the CFTC's Fiscal Year (FY) 2013 Annual Performance Report (APR) and FY 2013 Summary of Performance and Financial Information will be available on the web at http://www.CFTC.gov/About/CFTCReports/Index.htm. The CFTC's Strategic Plan is also available at this web location.

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A Message from the Chairman

I am pleased to present the Agency Financial Report for Fiscal Year (FY) 2013. This has been a year of remarkable progress in bringing transparency, access and competition to the swaps market.

Five years ago, the U.S. economy was in a free fall. Five years ago, the financial system and the financial regulatory system failed the American public. Five years ago, the unregulated swaps market was at the center of the crisis.

With 94 percent of private sector jobs outside of finance, President Obama was looking for solutions to ensure finance better serves the rest of the economy.

The reforms of the 1930s had tasked the Commodity Futures Trading Commission (CFTC or Commission) to swim in a very important lane – derivatives. The futures market has allowed farmers, ranchers and producers to lock in the price of a commodity since the 1860s. The derivatives lane, though, got a lot deeper a century later with the emergency of the vast swaps market. Both futures and swaps are essential to our economy and the way that businesses and investors manage risk.

The President placed great confidence in the CFTC when he asked the agency to help bring much-needed transparency and oversight to the dark, closed swaps market.

This confidence in the CFTC was well placed. As we've seen time and again in our nation's history, when faced with real challenges, we Americans from different walks of life and perspectives find a way to come together to solve them.

The talented CFTC staff and my fellow Commissioners – Mike Dunn, Jill Sommers, Bart Chilton, Scott O'Malia and Mark Wetjen – really have delivered for the American public.

The CFTC has finalized 68 rules, orders and guidances. We have completed nearly all of the agency's rulemakings, and the initial major compliance dates are behind us.

These reforms took into account nearly 60,000 public comments and input from more than 2,200 meetings and 21 public roundtables.

During this process, the Commission largely found consensus. In fact, two-thirds of our final actions have been unanimous, and nearly 85 percent have been bipartisan.

Now, bright lights of transparency are shining on the $380 trillion swaps market. Now, a majority of the swaps market is being centrally cleared – lowering risk and bringing access to anyone wishing to compete.
Now, 91 swap dealers have registered and – for the first time – are being overseen for their swaps activity.

Five years after the financial crisis, the swaps marketplace truly has been transformed.

Transparency

Foremost, the swaps marketplace has been transformed with transparency.

First, the public can see the price and volume of each swap transaction as it occurs.

This information is available, free of charge, to everyone in the public. The data is listed in real time – like a modern-day tickertape – on the websites of the three swap data repositories (SDRs).

Second, building on the CFTC's long tradition of promoting transparency, we recently began publishing a Weekly Swaps Report to provide the public with a detailed view of the swaps marketplace.

Third, regulators also have gained transparency into the details on each of the 1.8 million transactions and positions in the SDRs.

Fourth, starting this fall, the public – for the first time –is benefitting from new transparency, impartial access and competition on regulated swap trading platforms.

We now have 19 temporarily registered swap execution facilities (SEFs) where more than a quarter of a trillion dollars in swaps trading is occurring on average per day.

This pre-trade transparency lowers costs for investors, businesses and consumers, as it shifts information from dealers to the broader public.

Fifth, I anticipate that by mid-February, the congressionally mandated trade execution requirement will become effective for a significant portion of the interest rate and credit index swap markets.

Clearing

The swaps market also has been transformed with mandated central clearing for financial entities as well as dealers.

Central clearing lowers risk and fosters competition by allowing customers ready access to the market.

Clearinghouses have operated successfully at the center of the futures market for over 100 years – through two world wars, the Great Depression and the 2008 crisis.

Reforms have taken us from only 21 percent of the interest rate swaps market being cleared five years ago to more than 70 percent of the market this fall. More than 60 percent of new credit index swaps are being cleared.

Further, we no longer have the significant time delays that were once associated with swaps clearing.

Five years ago, swaps clearing happened either at the end of the day or even just once a week. This left a significant period of bilateral credit risk in the market, undermining a key benefit of central clearing.

Now reforms require pre-trade credit checks and straight-through processing for swaps trades intended for clearing.

With 99 percent of swaps clearing occurring within 10 seconds, market participants no longer have to worry about credit risk when entering into swap trades intended to be cleared.

Swap Dealers

The market also has been transformed for swap dealers.

Five years ago, swap dealers had no specific requirements with regard to their swap dealing activity. AIG's downfall was a clear example of what happens with no registration or licensing requirement for such dealers.

Today, all of the world's largest financial institutions in the global swaps market are coming under reforms.

These reforms include new business conduct standards for risk management, documentation of swap transactions, confirmations, sales practices, recordkeeping and reporting.

With the approval of the Volcker Rule, swap dealers associated with banking entities will have to comply with new risk-reducing requirements prohibiting proprietary trading.

Further, the transformed marketplace covers the far-flung operations of U.S. enterprises, including their offshore branches and guaranteed affiliates.

The President and Congress were clear in financial reform that we had to learn the lessons of the 2008 financial crisis.

AIG nearly brought down the U.S. economy through its guaranteed affiliate operating under a French bank license in London.

Lehman Brothers had 3,300 legal entities when it failed. Its main overseas affiliate was guaranteed here in the United States, and it had 130,000 outstanding swap transactions.

The lessons of modern finance are clear. If reform does not cover the far flung operations of U.S. enterprises, trades inevitably would just be booked in offshore branches or affiliates. If reform does not cover these far-flung operations, rather than reforming the financial system, we simply would be providing a significant loophole.

Benchmark Interest Rates

Five years ago, as the public now knows, multiple banks were pervasively rigging the world's most important benchmark interest rates.

The public trust has been violated through bad actors readily manipulating these benchmark interest rates.

I wish I could say that this won't happen again, but I can't.

As London Interbank Offered Rate (LIBOR) and Euro Interbank Offered Rate (Euribor) are not anchored in observable transactions, they are more akin to fiction than fact.

That's the fundamental challenge that the CFTC and law enforcement agencies around the globe have so dramatically revealed.

We've made progress addressing governance and conflicts of interest regarding such benchmarks. But this alone will not resolve the fundamental vulnerability of these benchmarks – the lack of transactions in the interbank market underlying them.

That is why the work of the Financial Stability Board to find replacements for LIBOR and to recommend a means to transition to such alternatives is so critical. The CFTC looks forward to continuing work with the international community on these much-needed reforms.

Customer Protection

Market events in the last five years highlighted the need to further ensure for the protection of customer funds. Segregation and the protection of customer funds is the core foundation of the futures and swaps markets.

The CFTC went through a two-year process with market participants – and six sets of finalized rules – to comprehensively reform the customer protection regime for futures and swaps.

Resources

One of the most remarkable things about the CFTC is that today, it's only five percent larger than it was 20 years ago.

Since then, though, this small, effective agency has taken on the job of overseeing the $380 trillion swaps market, which is a dozen times the size of the futures market we have historically overseen. Further, the futures market itself has grown fivefold since the 1990s.

Due to the budget challenges in Washington, not only has the CFTC been shrinking, but we had to notify employees of administrative furloughs.

Though the agency has yet to secure necessary funding from Congress, I continue to have faith that one day the CFTC will be funded at levels aligned with its vastly expanded mission.

The Journey Ahead

Though the CFTC has completed nearly all the rules of the road for the swaps market, reform is an ongoing journey.

Just as our nation has come together on financial reform these last five years, our regulations will continuously need to evolve. We always need to be open to changes in the markets and how best to promote transparency, competition and protect the public.

The journey is not over in transitioning to a replacement for LIBOR or in adequately funding the CFTC.

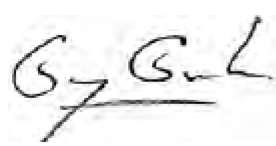
I think that we're in very firm setting on clearing, data reporting, real-time reporting, and business conduct reforms – all of which have been implemented. There are likely to be further challenges, however, with regard to the appropriate level of pre-trade transparency on trading platforms, as well as the scope of the cross-border application of reform.

I couldn't be more proud of the dedicated group of public servants at the CFTC. I am honored to have served along with them during such a remarkable time in the history of the agency.

Our nation benefits from free market capitalism, but it's critical that we have common-sense rules of road to ensure that finance best serves the public at large.

Agency Financial Report

The CFTC places a strong emphasis on being an effective steward of its operating funds. I am pleased that for the ninth consecutive year, the Commission has received an unqualified opinion on its financial statements. For the seventh consecutive year, the auditors disclosed no material instances of noncompliance with laws and regulations. I can also report that the CFTC had no material internal control weaknesses and that the financial and performance data in this report are reliable and complete under the Office of Management and Budget (OMB) guidance.



Gary Gensler
December 16, 2013

FY 2013 Commissioners

Gary Gensler, Chairman

Gary Gensler was sworn in as the Chairman of the Commodity Futures Trading Commission on May 26, 2009. Chairman Gensler previously served at the U.S. Department of the Treasury as Under Secretary of Domestic Finance (1999-2001) and as Assistant Secretary of Financial Markets (1997-1999). He subsequently served as a Senior Advisor to the Chairman of the U.S. Senate Banking Committee, Senator Paul Sarbanes, on the Sarbanes-Oxley Act, reforming corporate responsibility, accounting and securities laws.

As Under Secretary of the Treasury, Chairman Gensler was the principal advisor to Treasury Secretary Robert Rubin and later to Secretary Lawrence Summers on all aspects of domestic finance. The office was responsible for formulating policy and legislation in the areas of U.S. financial markets, public debt management, the banking system, financial services, fiscal affairs, federal lending, Government Sponsored Enterprises, and community development. In recognition of this service, he was awarded Treasury's highest honor, the Alexander Hamilton Award.

Prior to joining Treasury, Chairman Gensler worked for 18 years at Goldman Sachs, where he was selected as a partner; in his last role he was Co-head of Finance.

Chairman Gensler is the co-author of a book, *The Great Mutual Fund Trap*, which presents common sense investment advice for middle income Americans.

He is a summa cum laude graduate from the University of Pennsylvania's Wharton School in 1978, with a Bachelor of Science in Economics and a Master of Business Administration from the Wharton School's graduate division in 1979. He lives with his three daughters outside of Baltimore, Maryland.

Bart Chilton, Commissioner

Bart Chilton was nominated by President Bush and confirmed by the U.S. Senate in 2007. In 2009, he was re-nominated by President Obama and reconfirmed by the Senate. He has served as the Chairman of the CFTC's Energy and Environmental Markets Advisory Committee (EEMAC). His career spans 25 years in government service—working on Capitol Hill in the House of Representatives and the Senate, and serving the Executive Branch during the Clinton, Bush, and Obama Administrations.

Prior to joining the CFTC, Mr. Chilton was the Chief of Staff and Vice President for Government Relations at the National Farmers Union where he represented family farmers. In 2005, Mr. Chilton was a Schedule C political appointee of President Bush at the U.S. Farm Credit Administration where he served as an Executive Assistant to the Board. From 2001 to 2005, Mr. Chilton was a Senior Advisor to Senator Tom Daschle, the Democrat Leader of the United States Senate, where he worked on myriad issues including, but not limited to, agriculture and transportation policy.

From 1995 to 2001, Mr. Chilton was a Schedule C political appointee of President Clinton where he rose to Deputy Chief of Staff to the U.S. Secretary of Agriculture Dan Glickman. In this role, Mr.

Chilton became a member of the Senior Executive Service (SES)—government executives selected for their leadership qualifications to serve in the key positions just below the most senior Presidential appointees. As an SES member, Mr. Chilton served as a liaison between Secretary Glickman and the Federal workforce at the U.S. Department of Agriculture (USDA).

From 1985 to 1995, Mr. Chilton worked in the U.S. House of Representatives where he served as Legislative Director for three different Members of Congress on Capitol Hill and as the Executive Director of the bipartisan Congressional Rural Caucus.

Mr. Chilton previously served on the Boards of Directors of Bion Environmental Technologies and the Association of Family Farms.

Mr. Chilton was born in Delaware and spent his youth in Indiana, where he attended Purdue University (1979—1982). He studied political science and communications and was a collegiate leader of several organizations. Mr. Chilton and his wife, Sherry Daggett Chilton, split their time between Washington, D.C. and Arkansas.

Scott O'Malia, Commissioner

Scott O'Malia was confirmed by the U.S. Senate on October 8, 2009, as Commissioner of the Commodity Futures Trading Commission, and was sworn in on October 16, 2009. He is currently serving a five-year term that expires in April 2015.

Born in South Bend, Indiana and raised in Williamston, Michigan, Commissioner O'Malia learned about commodity prices firsthand growing up on a small family farm. As a Commissioner of the Commodity Futures Trading Commission (CFTC), he brings both his agricultural background and experience in energy markets, where he has focused his professional career.

Before starting his term at the CFTC, Commissioner O'Malia served as the Staff Director to the U.S. Senate Appropriations Subcommittee on Energy and Water Development, where he focused on expanding U.S. investment in clean-energy technologies, specifically promoting low-cost financing and technical innovation in the domestic energy sector.

From 2003 to 2004, Commissioner O'Malia served on the U.S. Senate Energy and National Resources Committee under Chairman Pete Domenici (R-N.M.), as Senior Policy Advisor on oil, coal and gas issues. From 1992 to 2001, he served as Senior Legislative Assistant to U.S. Sen. Mitch McConnell (R.-Ky.), now the Senate Minority Leader. During his career, O'Malia also founded the Washington office of Mirant Corp., where he worked on rules and standards for corporate risk management and energy trading among wholesale power producers.

In his time at the CFTC, Commissioner O'Malia has advanced the use of technology to more effectively meet the Commission's oversight responsibilities. As chairman of the Technology Advisory Committee (TAC), Commissioner O'Malia works to harness the expertise of the TAC membership to establish technological best practices for oversight and surveillance considering such issues as algorithmic and high frequency trading, data collection standards, and technological surveillance and compliance.

Commissioner O'Malia earned his Bachelor's Degree from the University of Michigan. He and his wife, Marissa, currently live in Northern Virginia with their three daughters.

Mark Wetjen, Commissioner

Mark P. Wetjen was sworn in as a Commissioner of the U.S. Commodity Futures Trading Commission on October 25, 2011. Commissioner Wetjen worked for seven years in the U.S. Senate as a senior leadership staffer advising on all financial-services-related matters, including the Dodd-Frank Act. Before his service in the U.S. Senate, Commissioner Wetjen was a lawyer in private practice and represented clients in a variety of litigation, transactional and regulatory matters.

Born and raised in Dubuque, Iowa, Commissioner Wetjen received a bachelor's degree from Creighton University and a law degree from the University Of Iowa College Of Law. He lives with his wife, Nicole, and two sons.

Jill E. Sommers also served as a Commissioner until July 8, 2013. Her seat is presently vacant.

How This Report is Organized

The Reports Consolidation Act of 2000 authorizes Federal agencies, with OMB concurrence, to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. The Commission has chosen an alternative to the consolidated Performance and Accountability Report and instead, produces an AFR, APR, and a Summary of Performance and Financial Information, pursuant to OMB Circular A-136, *Financial Reporting Requirements*.

This document consists of three sections and an appendix:

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section is an overview of the entire report. The MD&A presents performance and financial highlights for FY 2013 and discusses compliance with legal and regulatory requirements, business trends and events, and management issues.

Financial Section

The Financial Section includes the Commission's financial statements and the Independent Auditors' report.

Other Information

Other Information contains the Inspector General's FY 2013 assessment of management challenges facing the Commission, the Commission's summary of audit and management assurances, and a discussion of improper payments.

Appendix

The Appendix contains the glossary of abbreviations and acronyms used throughout the report.

For more information concerning the material presented in this report please contact Mark Carney, Chief Financial Officer, at 202-418-5477.

Management's Discussion and Analysis Table of Contents

Commission at a Glance

Who We Are

The Commission consists of five Commissioners. The President appoints and the Senate confirms the CFTC Commissioners to serve staggered five-year terms. No more than three sitting Commissioners may be from the same political party. With the advice and consent of the Senate, the President designates one of the Commissioners to serve as Chairman.

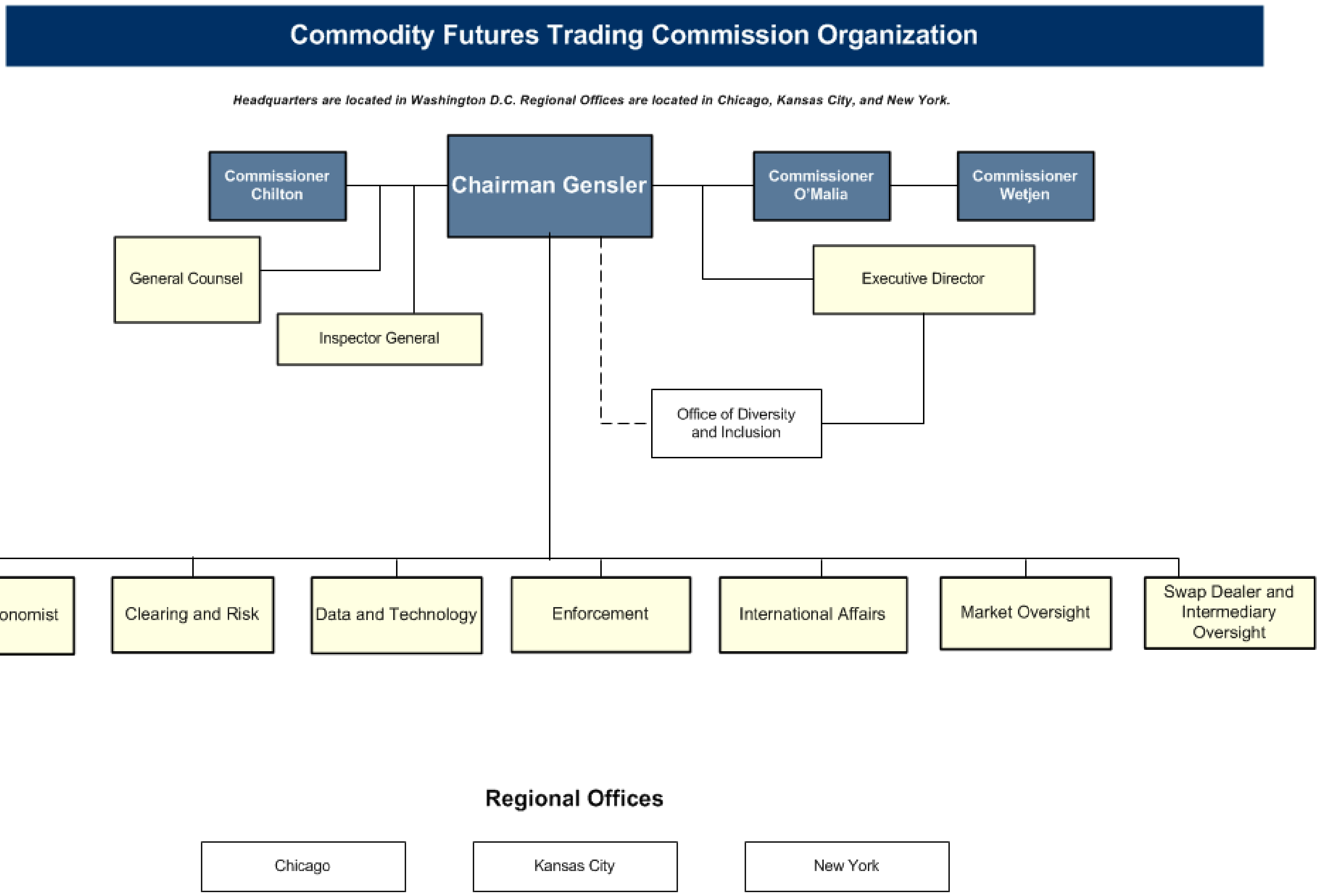
The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the Commodity Exchange Act (CEA) and the regulations, policies, and guidance thereunder.

The Commission is organized largely along programmatic and functional lines. The four programmatic divisions— the Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and the Division of Swap Dealer and Intermediary Oversight (DSIO)— are partnered with, and supported by, a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Director (OED), Office of the General Counsel (OGC), and the Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.

The Dodd-Frank Act established the CFTC Customer Protection Fund (CPF) for the payment of awards to whistleblowers, through the whistleblower program, and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of the CEA or the rules or regulations thereunder. In 2012, the Commission established the Whistleblower Office (WBO) and the Office of Consumer Outreach (OCO) to administer the whistleblower and customer education programs.

CFTC Organization Structure, Locations and Facilities

The Commission is headquartered in Washington D.C. Regional offices are located in Chicago, Kansas City and New York.



CFTC Organizational Programs

Below are brief descriptions of the organizational programs within the CFTC:

The Commission

The Offices of the Chairman and the Commissioners provide executive direction and leadership to the Commission. The Offices of the Chairman include: Public Affairs, Legislative Affairs, and Diversity and Inclusion.

Office of the General Counsel

The OGC provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and *amicus curiae* litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) drafting and assisting other program areas in preparing Commission regulations; 5) interpreting the CEA; and 6) providing advice on legislative and regulatory issues.

Office of the Inspector General

The OIG is an independent organizational unit at the CFTC. The mission of the OIG is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. As such it has the ability to review all of the Commission's programs, activities, and records. In accordance with the Inspector General Act of 1978, as amended, the OIG issues semiannual reports detailing its activities, findings, and recommendations.

Office of the Executive Director

The Commission's ability to achieve its mission of protecting the public, derivative market participants, U.S. economy, and the U.S. position in global markets is driven by well-informed and reasoned executive direction; strong and focused management; and an efficiently-resourced, dedicated, and productive workforce. These attributes of an effective organization combine to lead and support the critical work of the Commission to provide sound regulatory oversight and enforcement programs for the U.S. public. The Executive Director ensures the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating; directs the effective and efficient allocation of CFTC resources; develops and implements management and administrative policy; and ensures program performance is measured and tracked Commission-wide. The OED includes the following programs: Business Management and Planning, Library, Records and Privacy, Financial Management, Human Resources, Secretariat, Diversity and Inclusion, Consumer Outreach, and the Office of Proceedings. The Office of Proceedings has a dual function to provide a cost-effective, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA and to administer enforcement actions, including statutory disqualifications, and wage garnishment cases. The OCO administers the customer and public education initiatives.

Office of the Chief Economist

The OCE provides economic support and advice to the Commission, conducts research on policy issues facing the Commission, and educates and trains Commission staff. The OCE plays an integral role in the implementation of new financial market regulations by providing economic expertise and cost-benefit considerations underlying those regulations.

Division of Clearing and Risk

The DCR program oversees derivatives clearing organizations (DCOs) and other market participants that may pose risk to the clearing process including futures commission merchants (FCMs), SDs, major swap participants (MSPs), and large traders, and the clearing of futures, options on futures, and swaps by DCOs. The DCR staff: 1) prepare proposed regulations, orders, guidelines, and other regulatory work products on issues pertaining to DCOs; 2) review DCO applications and rule submissions and make recommendations to the Commission; 3) make determinations and recommendations to the Commission to which types of swaps should be cleared; 4) make determinations and recommendations to the Commission as to the initial eligibility or continuing qualification of a DCO to clear swaps; 5) assess compliance by DCOs with the CEA and Commission regulations, including examining systemically important DCOs at least once a year; and 6) conduct risk assessment and financial surveillance through the use of risk assessment tools, including automated systems to gather and analyze financial information, and to identify, quantify, monitor the risks posed by DCOs, clearing members, and market participants and its financial impact.

Office of Data and Technology

The ODT is led by the Chief Information Officer and delivers services to CFTC through three components: Systems and Services, Data Management, and Infrastructure and Operations. Systems and Services focuses on several areas: market and financial oversight and surveillance; enforcement and legal support; document, records, and knowledge management; CFTC-wide enterprise services; and management and administration. Systems and services provide access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management focuses on data analysis activities that support data acquisition, utilization, management, reuse, transparency reporting, and data operations support. Data Management provides a standards-based, flexible data architecture; guidance to the industry on data reporting and recordkeeping; reference data that is correct; and market data that can be efficiently aggregated and correlated by staff. Infrastructure and Operations organizes delivery of services around network infrastructure and operations, telecommunications, and desktop and customer services. Delivered services are widely available, flexible, reliable, and scalable, supporting the systems and platforms that empower staff to fulfill the CFTC mission. The three service delivery components are unified by an enterprise-wide approach that is driven by the Commission's strategic goals and objectives and incorporates information security, enterprise architecture, and project management.

Division of Enforcement

The DOE program investigates and prosecutes alleged violations of the CEA and Commission regulations. Possible violations involve improper conduct related to commodity derivatives trading on U.S. exchanges, or the improper marketing and sales of commodity derivatives products to the general public. The WBO performs the ministerial functions and determination of preliminary award eligibility and guides the handling of whistleblower matters as needed during examination, investigation and litigation.

Office of International Affairs

The OIA advises the Commission regarding international regulatory initiatives; provides guidance regarding international issues raised in Commission matters; represents the Commission in international organizations, such as International Organization of Securities Commissions (IOSCO); coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, the G20, Financial Stability Board and the U.S. Department of the Treasury (Treasury); and provides technical assistance to foreign market authorities.

Division of Market Oversight

The DMO program fosters markets that accurately reflect the forces of supply and demand for the underlying commodities and are free of disruptive activity. To achieve this goal, program staff oversee trade execution facilities, perform market and trade practice surveillance, review new exchange applications and examine existing exchanges to ensure their compliance with the applicable core principles. Other important work includes evaluating new products to ensure they are not susceptible to manipulation, and reviewing exchange rules and actions to ensure compliance with the CEA and CFTC regulations.

Division of Swap Dealer and Intermediary Oversight

The DSIO program oversees the registration and compliance activities of intermediaries and the futures industry self-regulatory organizations (SROs), which include the U.S. derivatives exchanges and the National Futures Association (NFA). Program staff develop regulations concerning registration, fitness, financial adequacy, sales practices, protection of customer funds, cross-border transactions, and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events that impact intermediaries. As the Commission continues implementation of the Dodd-Frank Act, DSIO will be responsible for completing the development of regulations addressing registration requirements, business conduct standards, capital adequacy, and margin requirements for SDs and MSPs and for conducting the monitoring and examination activities necessary to oversee these new registrant populations.

Why We Exist

CFTC Mission

To protect market users and the public from fraud, manipulation, abusive practices and systemic risk related to derivatives that are subject to the Commodity Exchange Act, and to foster open, competitive, and financially sound markets.

The Commission administers the CEA, 7 U.S.C. section 1, *et seq*. The 1974 Act brought under Federal regulation futures trading in all goods, articles, services, rights and interests; commodity options trading; leverage trading in gold and silver bullion and coins; and otherwise strengthened the regulation of the commodity futures trading industry. The Commission's mandate has been renewed and expanded several time since then, most recently by the 2010 Dodd-Frank Act.

The first derivatives—called futures—began trading at the time of the Civil War, when grain merchants came together and created this new marketplace. When the Commission was founded in 1974, the vast majority of derivatives trading consisted of futures trading in agricultural sector products. These contracts gave farmers, ranchers, distributors, and end-users of products ranging from corn to cattle an efficient and effective set of tools to hedge against price risk. Over the years, the futures industry has become increasingly diversified. Highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, security indexes, and other products have far outgrown the agricultural contracts in trading volume.

Electronic integration of cross-border markets and firms, as well as cross-border alliances, mergers and other business activities have transformed the futures markets and firms into a global industry. With the passage of the Dodd-Frank Act, the Commission was tasked with bringing regulatory reform to the swaps marketplace. These products which had not previously been regulated in the United States were at the center of the 2008 financial crises.

Regulating Futures and Swaps Markets

Regulate Market Participants

- Market participants are subject to capital and margin requirements to lower risk in the system.
- Market participants are required to meet robust business conduct standards to lower risk and promote market integrity.
- Market participants are required to meet recordkeeping and reporting requirements so that regulators can police the markets.

Increase Transparency and Improve Pricing in the Derivatives Marketplace

- Standardized derivatives are required to be traded on regulated exchanges or SEFs.
- Transparent trading of swaps will increase competition and bring better pricing to the marketplace. This will lower costs for businesses and their consumers.

Lower Risk to the American Public

- Standardized derivatives are being moved into central clearinghouses to lower risk in the financial system.
- Clearinghouses act as middlemen between two parties in a transaction and take on the risk that one counterparty defaults on its obligations.
- Clearinghouses have lowered risk in the futures marketplace since the early 1900s. The Dodd-Frank Act brought this crucial market innovation to the swaps marketplace.

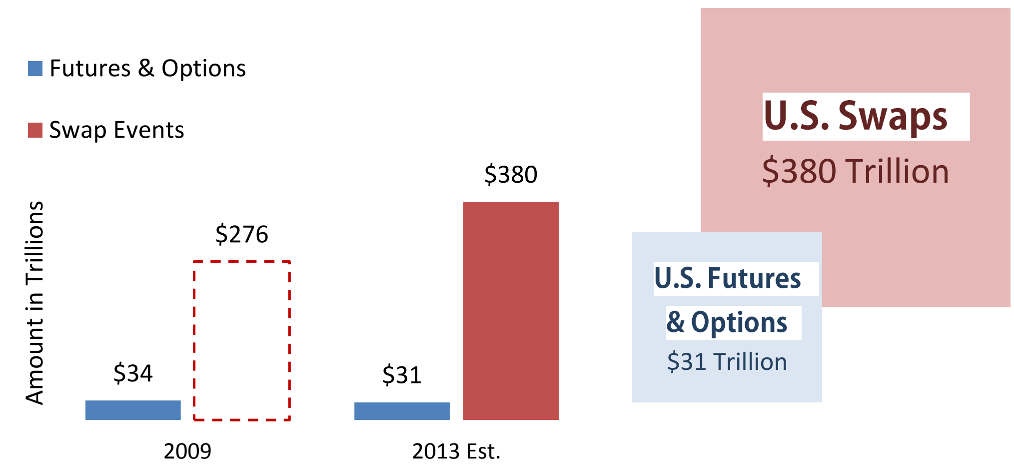
Industry Oversight—Marketplace

In a marketplace driven by change, as are the futures and swaps industries, it may be helpful to look back at the way the industries and CFTC have trended since 2009. The charts that follow reflect many of those changes affecting the CFTC. In 2009, prior to the Dodd-Frank Act, only futures and options were under CFTC jurisdiction.

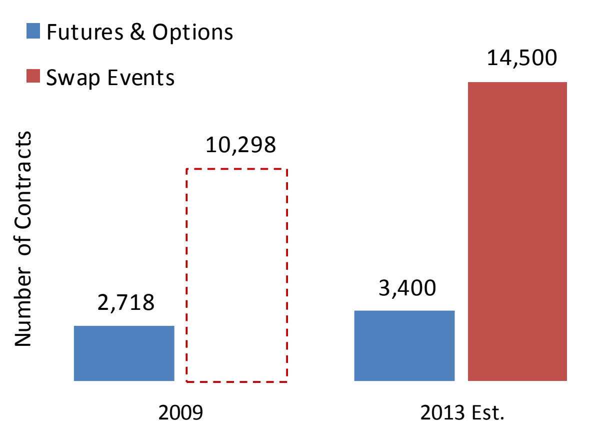
Marketplace Oversight

The purpose of the CEA is to serve the public interest through a system of effective regulation of trading facilities, clearing systems, market participants, and market professionals under the oversight of the Commission.

Change in Notional Value from 2009 to 2013



Change in Trading Volume from 2009 to 2013



25% Increase in Futures and Option Trade Volume

41% Increase in Swaps Trade Volume

Industry Oversight—Clearing

Clearing has existed since the 1890s. It lowers risk to the market. The Commission oversees the clearing of futures, options, options on futures, and swaps by DCOs and other market participants that may pose a risk to the clearing process including FCMs, SDs, MSPs, and large traders.

Promoting Access & Lowering Risk

Clearinghouses reduce risk that one entity's failure could spread to the public by standing between two parties and maintain resources to cover defaults. Clearinghouses value every position daily and require parties to post adequate margin on a regular basis. Clearing also fosters access for the broad market as it ensures that each participant no longer has to individually worry about its counterparty's credit circumstances.

FY 2013 Regulated Entities

Trading Entities	
Designated Contract Market (DCM)	19
Swap Execution Facility (SEF)	17
Foreign Board of Trade (FBOT)	1
Clearing Entities	
Derivatives Clearing Organization (DCO)	13
Clearing Members	191
Systemically Important DCO (SIDCO)	2
Data Repositories	
Swap Data Repository (SDR)	3
Registrants	
Futures Commission Merchant (FCM)	105
Swap Dealer (SD)	82
Major Swap Participant (MSP)	2
Retail Foreign Exchange Dealer (RFED)	9
Commodity Trading Advisor (CTA)	2,636
Commodity Pool Operator (CPO)	1,811
Introducing Broker (IB)	1,328
Floor Broker (FB)	5,123
Floor Trader (FT)	955
Associated Person (AP)	56,190

$70.0 Billion

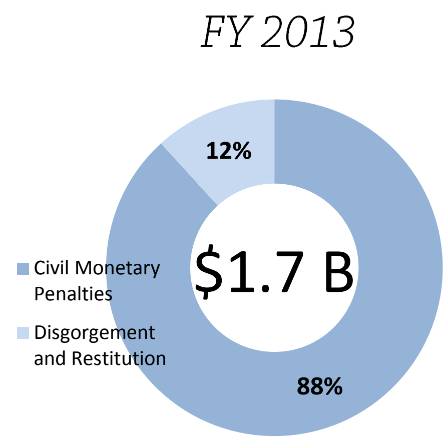
Aggregate Sum of Original or Initial Margin on Deposit by Clearing Member Firms as of September 2013

$181.3 Billion

Customer Funds held in FCM Accounts as of September 2013

Industry Oversight—Enforcement

The Commission protects market participants and other members of the public from fraud, manipulation and other abusive practices in the commodities, futures and swaps markets. Its cases range from quick strike actions against Ponzi enterprises that victimize investors across the country, to sophisticated manipulative and disruptive trading schemes in markets the Commission regulates including financial instruments, oil, gas, precious metals and agricultural goods.

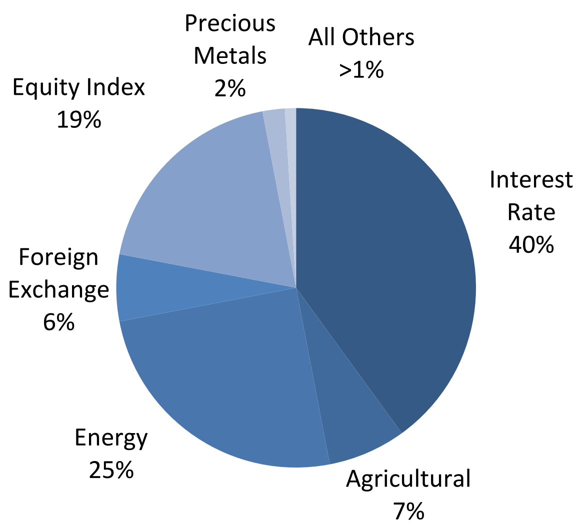


Monetary Sanctions Assessed

290 New Investigations Opened

82 Enforcement Actions Filed

Commodity Futures Trading Activity



Protecting Market Users and the Public

The Commission investigates and prosecutes alleged violations of the CEA and Commission regulations. The Commission takes enforcement actions against individuals and firms registered with the Commission, those who are engaged in commodity futures, option and swaps trading on designated domestic exchanges, and those who improperly market futures, option and swaps contracts.

How We Operate

Strategic Response

The Commission's updated Strategic Plan was published in February 2011 and is located at http://www.cftc.gov/reports/strategicplan/2015/index.htm. It integrated the expanded responsibilities under the Dodd-Frank Act. As a set of guiding principles for implementing new regulatory and mission activities, this plan provides direction during a time of uncertainty. These strategic goals were constructed in a focused way, lending credence to unifying goals found within the CEA and Dodd-Frank Act.

The CFTC organizational programs support the strategic plan goals through nine key mission activities identified by the Commission.

Mission Activities

Registration and Registration Compliance

The Commission performs a thorough review of the registration applications of all entities seeking to be registered as designated contract markets (DCMs), SEFs, SDRs, and DCOs. Multi-disciplinary review teams of attorneys, industry economists, trade practice analysts and risk analysts ensure that the Commission undertakes a thorough analysis of such applications to ensure compliance with the applicable statutory core principles and Commission regulations. Site visits may be required to validate required technical and self-regulatory capabilities.

Product Reviews

The Commission reviews new product filings as well as issues no-action letters related to product issues. The CFTC's traditional scope of work includes reviewing new futures and options contract filings, reviewing contract rule submissions, and developing new rules and policies to accommodate innovations in the industry. Currently, the Commission conducts due diligence reviews of new contract filings to ensure that the contracts are not readily susceptible to manipulation or price distortion, and that the contracts are subject to appropriate position limits or position accountability. The Commission also analyzes amendments to contract terms and conditions to ensure that the amendments do not render the amended contracts readily susceptible to manipulation and do not otherwise affect the value of existing positions.

Surveillance, including Data Acquisition and Analytics

The Commission performs three broad types of surveillance: market and trade practice, financial and risk, and business analytics. The Commission monitors trading and positions of market participants on an on-going basis. Commission staff screen for potential market manipulations and disruptive trading practices, as well as trade practice violations. The Commission also monitors changing market conditions and developments, such as shifting patterns of commercial or speculative trading or the introduction of new trading activities, to assess possible market impacts on internal review techniques and/or evaluate the impact such changes may have on exchange trading rules and contracts. The Commission also conducts risk and financial surveillance of DCOs, clearing FCMs, and other market participants such as SDs, MSPs, and large traders that may pose a risk to the clearing process. CFTC also maintains a business analytics platform for performing data analysis. The platform allows staff analyzing industry data to keep pace with the continuing growth in industry data volume and complexity. The Commission established a Strategic Plan objective to ensure that IT systems support the Commission's existing and expanded responsibilities to ensure financially sound markets, mitigate systemic risk, and monitor intermediaries.

Examinations

Examinations are formal, structured assessments of regulated entities' operations or oversight programs to assess on-going compliance with statutory and regulatory mandates. Regular examinations are an effective method of ensuring that the entities' are complying with the core principles established in the CEA (as amended). Examinations are performed by multi-disciplinary teams of individuals, attorneys, industry economists, trade practice analysts, risk analysts, quantitative risk management specialist, IT specialists and accountants depending on the scope.

Enforcement

The Commission protects market participants and other members of the public from fraud, manipulation and other abusive practices in the commodities, futures and swaps markets. Its cases range from quick strike actions against Ponzi enterprises that victimize investors across the country, to sophisticated manipulative and disruptive trading schemes in markets the Commission regulates including oil, gas, precious metals, and agricultural goods.

International Policy Coordination

The global nature of the futures and swaps markets makes it imperative that the United States consult and coordinate with foreign authorities. The Commission is actively communicating internationally to promote robust and consistent standards, to avoid conflicting requirements, and to engage in cooperative supervision, wherever possible. The Commission participates in numerous international working groups regarding swaps, including the IOSCO Task Force on over-the-counter (OTC) derivatives, and the Basel Committee on Banking Supervision, Committee on Payment and Settlement Systems, IOSCO Joint Working Group on Capital Treatment for Bank Exposures to Central Counterparties, both of which the CFTC co-chairs. The CFTC, the

SEC, European Commission and European Securities Market Authority are intensifying discussions through a technical working group. The Commission also is consulting with many other jurisdictions such as Hong Kong, Singapore, Japan, and Canada.

Discussions have focused on the details of the Dodd-Frank rules, including mandatory clearing, trading, reporting and regulation of derivatives market intermediaries. The Commission's international outreach efforts directly support global consistency in the oversight of the swaps markets.

Economic and Legal Counsel

The Commission supports an in-depth, analytical research program that focuses on innovations in trading technology, developments in trading instruments, and the role of market participants in the futures, options, and swap markets. A team of specialized economists supports the Commission's numerous divisions by analyzing these constantly evolving components of markets to help anticipate and mitigate significant regulatory, surveillance, clearing, and enforcement challenges. Economic expertise is especially important for the development and implementation of new financial regulations related to the Dodd Frank Act and the oversight of a new swaps regime.

The Commission's legal services include: 1) engaging in defensive, appellate, and *amicus curiae* litigation; 2) interpreting the CEA; 3) providing legal advice and support for Commission Divisions; 4) drafting and assisting other Divisions in preparing Commission regulations; 5) assisting the Commission in the performance of its adjudicatory functions; 6) overseeing the Commission's ethics program; and 7) providing advice on legislative and regulatory issues.

Data Infrastructure and Technology Support

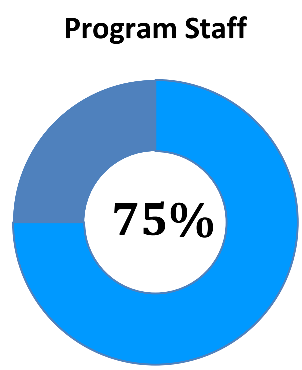
The Commission's over-arching information technology (IT) strategy is to increase the integration of IT into the Commission operating model, which is described in Goal Five of the Strategic Plan. This strategy has become increasingly more important and complex as the Commission's regulatory scope has expanded faster than its resources. In order to do this rapidly with the most practical investment, the Commission's approach is to manage data as an enterprise asset, promote and adopt industry data standards, give priority to services that provide the greatest mission benefit, architect services using small components that can be assembled and reassembled with agility, and deliver solutions in short, iterative phases. The first area of focus must be on data understanding and ingestion—particularly because CFTC has a unique imperative to aggregate various types of data from multiple industry sources across multiple markets, much of which is new to the Commission staff. Receipt and analysis of the first wave of registrant reporting will give Commission staff insight into the markets and business process, which can be used to firm-up requirements and designs for internal surveillance systems. Likewise, the same business analytics tools used for data understanding and *ad hoc* mining of mature datasets will also be used to automate transparency reporting.

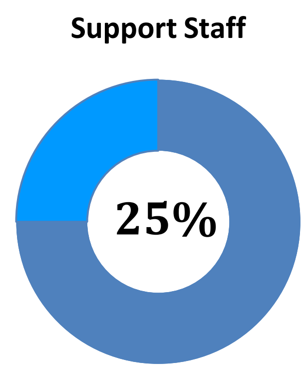
Agency Direction, Management, and Administration Support

As stated in the CFTC's Strategic Plan, the Commission's ability to achieve its mission of protecting the public, derivative market participants, U.S. economy, and the U.S. position in global markets is driven by well-informed and reasoned executive direction, strong and focused management, and an efficiently-resourced, dedicated, and productive workforce. These attributes of an effective organization combine to lead and support the critical work of the Commission to provide sound regulatory oversight and enforcement programs for the U.S. public. To ensure the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating, the Commission must lead effectively and maintain a well-qualified workforce supported by a modern IT infrastructure and working environment.

Our People

Collectively, the Commission employs 680 full-time permanent employees that comprise 507 programmatic staff (attorneys, economists, auditors, risk and trade analysts, and other financial specialists) and 173 management and support staff to accomplish five strategic goals and nine key mission activities in the regulation of commodity futures, options, and swaps.



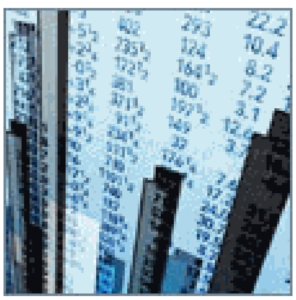


Personnel by Position Type

Among the full-time personnel, the majority of Commission staff is analytical professionals with strong academic records and specialized skills in the commodities industry.

Attorneys across the CFTC's divisions and offices represent the Commission in administrative and civil proceedings, assist U.S. Attorneys in criminal proceedings involving violations of the CEA, develop regulations and policies governing clearinghouses, exchanges and intermediaries, and monitor compliance with applicable rules.

Auditors, Investigators, Risk Analysts, and Trade Practice Analysts examine records and operations of derivatives exchanges, clearinghouses, and intermediaries for compliance with the provisions of the CEA and the Commission's regulations.

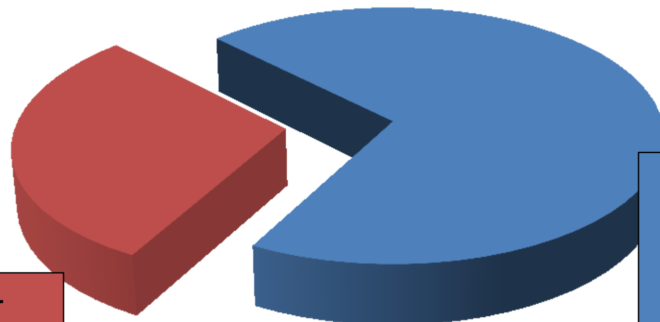


Economists and Data Analysts monitor trading activities and price relationships in derivatives markets to detect and deter price manipulation and other potential market disruptions. Economists also analyze the economic effect of various Commission and industry actions and events, evaluate policy issues and advise the Commission accordingly.

Management Professionals support the CFTC mission by performing strategic planning, information technology, human resources, staffing, training, accounting, budgeting, contracting, procurement, and other management operations.

Our Resources

FY 2013 CFTC Budgetary Resources



FY 2013 CFTC Customer Protection Fund: $100.2 Million

The CFTC CPF is a revolving fund established under Section 748 of the Dodd-Frank Act for the payment of awards to whistleblowers, through the whistleblower program, and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of the CEA or the rules or regulations thereunder.

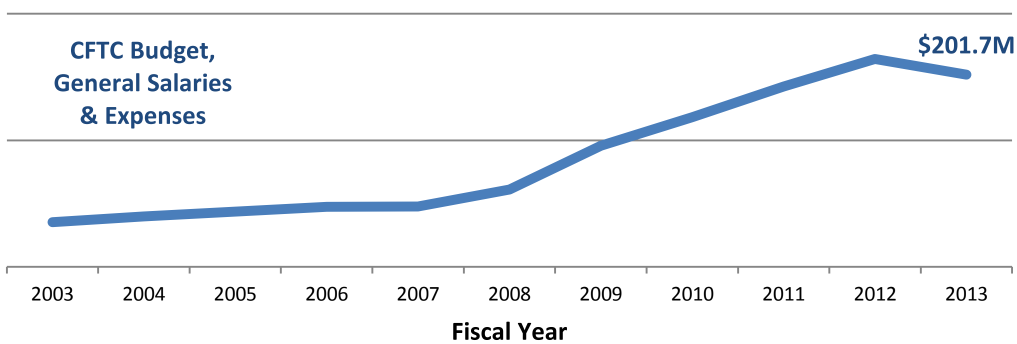
FY 2013 CFTC Appropriation: $194.6 Million

Appropriations for the CFTC fund the annual salaries and expenses of the agency. A portion of the appropriation is earmarked by Congress for IT investments. The FY 2013 enacted amount of $194.6 million is net of any rescission and sequestration.

Summary of CFTC Obligations

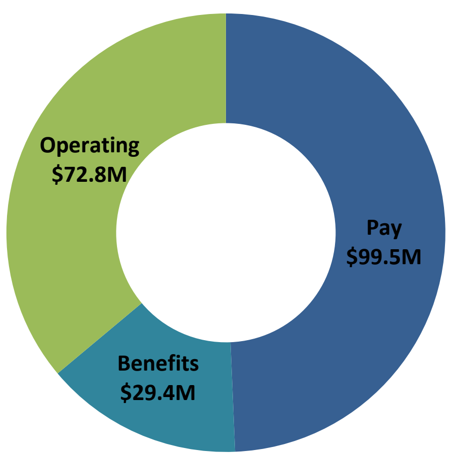
10-Year Obligation Trends (Appropriated Funds)

The following graph shows trending data for total obligations from FY 2003 to FY 2013. Increases in obligations are due, in part, to multi-year funding which began in FY 2011, and to investments in financial regulatory reform in response to the 2008 financial crises.



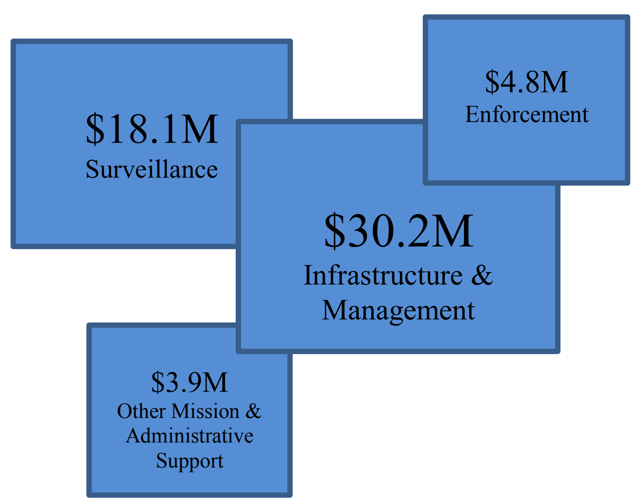
Pay, Benefits, and Operating

Personnel costs were 64 percent of the Commission's total obligations in FY 2013.



Technology Portfolio

In FY 2013, the obligated $50 million to operate and maintain IT systems and infrastructure for surveillance, enforcement, other mission areas, and mission support. In addition, the Commission invested $5 million in developing, modernizing, and enhancing surveillance and enforcement systems and $2 million in developing, modernizing, and enhancing other systems and IT infrastructure.



FY 2013 Obligations by Strategic Goal and Mission Activity

The Commission's strategic goals are defined in the 2011-2015 Strategic Plan located on the Commission's website at: http://www.cftc.gov/reports/strategicplan/2015/index.htm. In FY 2013, the Commission spent $157.8 million conducting mission activities in support of the Commission's top four strategic plan goals and spent $43.9 conducting mission support activities in support of regulatory and organizational excellence.

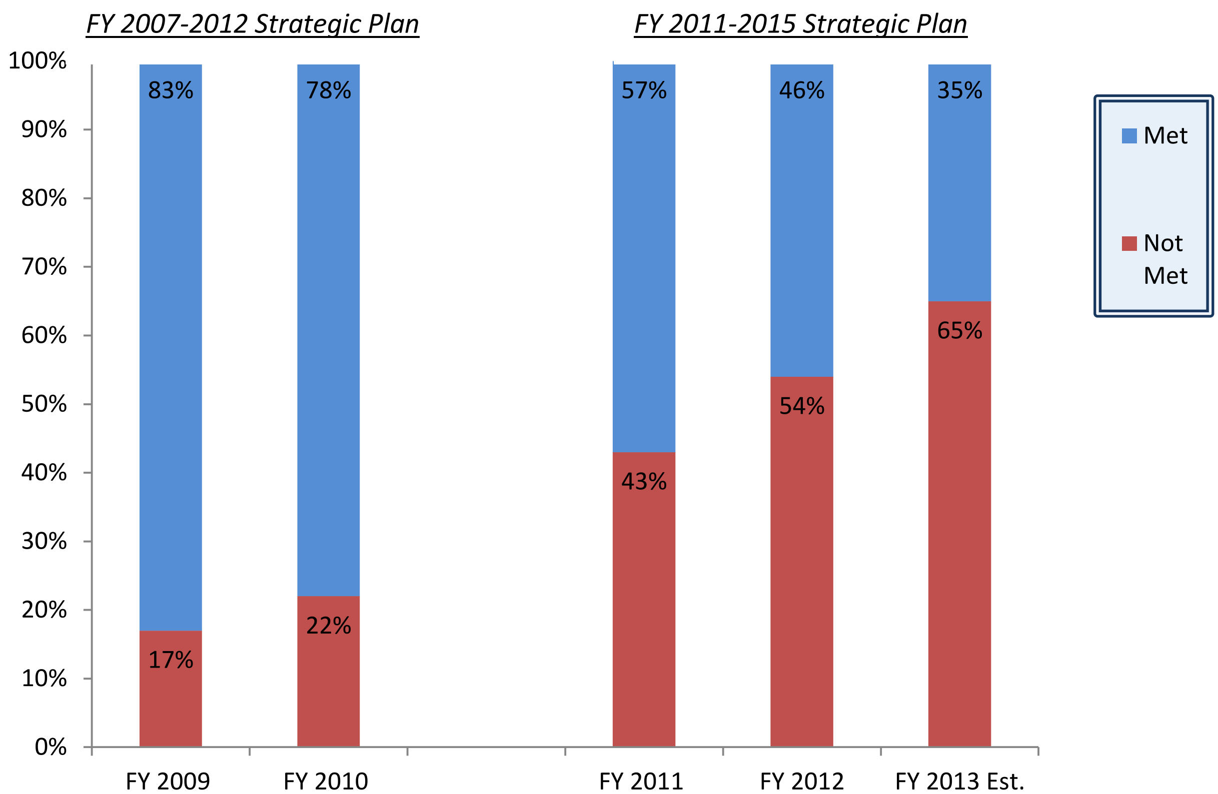
Strategic Goals (Abbreviated)	Dollars in Millions	FTE[1]
Strategic Goal 1: Market Integrity	**$56.0**	**212**
Strategic Goal 2: Financial Integrity	**$48.2**	**209**
Strategic Goal 3: Robust Enforcement	**$48.8**	**170**
Strategic Goal 4: Cross-Border Cooperation	**$ 4.8**	**20**
2013 Mission Activities	Percent Invested by Mission Activity	
1. Registration	5%	
2. Product Reviews	3%	
3. Surveillance	21%	
4. Examinations	9%	
5. Enforcement	19%	
6. International Policy	2%	
Strategic Support Goals (Abbreviated)	**Dollars in Millions**	**FTE**
Strategic Goal 5: Regulatory and Organizational Excellence	**$43.9**	**71**
2013 Mission Support Activities	Percent Invested by Mission Activity	
1. Economic and Legal Counsel	15%	
2. Data and Technology Support	13%	
3. Agency Direction and Management	13%	
TOTAL	**$201.7**	**682**

[1] Full-time equivalents (FTE) include full-time and part-time employees and interns.

Performance Highlights

Summary of Performance Results

The following bar graph presents the ratings distribution for performance results reported from FYs 2009 through 2013. Preliminary results for FY 2013 indicate that the Commission met 35 percent of its performance targets. This represents an 11 percent decline over FY 2012.



Strategic Plan Overview

The 2011-2015 CFTC Strategic Plan was written in the wake of the Dodd-Frank Act. It guided the CFTC through unprecedented change and exponential growth in responsibilities and oversight. With the effort to write the rules winding down and the implementation of those rules ramping up, FY 2013 proved to be very challenging. The CFTC accomplished three key items during FY 2013: transparency, central clearing, and oversight of SDs and other intermediaries.

Transparency

A key benefit of swaps reform is providing critical transparency and access to businesses and other end-users that use the swaps market to lock in a price or hedge a risk. Transparency and access—longstanding hallmarks of the futures market—lower costs for investors, consumers, and businesses.

The public and regulators are benefitting from significant new transparency. The public now can see the price and volume of each swap transaction as it occurs. This post-trade transparency spans the entire market, regardless of product, counterparty, or whether it's a standardized or customized transaction. Regulators get even greater transparency. Regulators now are able to see and filter the details on each of the 1.8 million transactions and positions in the data repositories. The CFTC now has pricing, transactional, counterparty and valuation information in the data repositories for more than $380 trillion in outstanding swaps. This covers all the different asset classes, including interest rate swaps, credit index swaps, foreign currency swaps, energy swaps, metals swaps and agriculture swaps. In addition, all swaps trading facilities are required to register. SEFs are required to provide all market participants with impartial access. They must provide dealers and non-dealers alike the ability to make and respond to bids, offers and requests for quotes.

Central Clearing

Clearinghouses have operated in the futures markets since the late 19th century to lower risk and improve access for market participants. Clearinghouses reduce the risk that one entity's failure could spread to the public by standing between the parties and maintaining resources to cover defaults. They value every position daily and require the parties to post adequate margin on a regular basis. Clearing also fosters access for the broad market as it ensures that each participant no longer has to individually worry about its counterparty's credit characteristics. The CFTC has implemented the following two principal reforms of the Dodd-Frank Act relating to clearing:

- The Commission adopted a comprehensive set of rules for the risk management of clearinghouses. These final rules provided a strong set of protections for customer money posted to clearinghouses, including the gross margining as well as segregation of customer money at the clearinghouse.
- The CFTC adopted rules to implement the Dodd-Frank Act's requirement that standardized swaps be cleared. The Commission approved the first clearing requirement in November 2012, following through on the U.S. commitment at the 2009 G-20 meeting that standardized swaps be cleared by the end of 2012. The Commission has determined that swaps in four interest rate swap classes, (U.S. Dollar, Euro, Sterling and Yen) and in two credit index swap classes (CDX and iTraxx) are subject to the clearing requirement. These asset classes account for the vast majority of interest rate and credit default index swaps.

Oversight of Swap Dealers and Other Intermediaries

The final piece of swaps market reform is oversight of SDs and investment funds operating in the swaps market. By December 2012, SDs began to provisionally register. CFTC now has 82 SDs and two MSPs provisionally registered. This group includes the largest domestic and international financial institutions dealing in swaps, including the 16 institutions commonly referred to as the G16 dealers.

Other Major Strategic Accomplishments

While the above includes the major strategic accomplishments of the CFTC, there were many more tactical successes as well:

Market Oversight

- The CFTC completed and began implementing the rules providing registration and operation requirements for SEFs that became effective on May 16, 2013 and provisionally registered 17 SEFs by September 30, 2013.
- The Commission completed the "Made Available to Trade" rulemaking, effective on May 16, 2013, that allows a DCM or SEF to subject a swap that it determines is "available to trade" to the trade execution requirement

Clearing and Risk

- The CFTC issued a final order to exempt contracts, agreements, and transactions for the purchase and sale of certain electric energy related products from the provisions of the CEA and CFTC regulations except for the Commission's anti-fraud and anti-manipulation authority, and scienter-based prohibitions.
- The Commission adopted final regulations to enhance risk management standards for systemically important DCOs that are involved in activities with a more complex risk profile or that are systemically important in multiple jurisdictions, the prohibited use of assessments by systemically important DCOs in calculating their available default resources, and enhanced system safeguards for systemically important DCOs for business continuity and disaster recovery (BC–DR).

Swaps

- In the aftermath of Hurricane Sandy, the CFTC coordinated with the SEC and FINRA and issued a joint staff advisory on lessons learned in disaster recovery to strengthen future cooperation and planning efforts and to share best practices among these organizations in preparation for future catastrophic events.

Enforcement

- CFTC filed 82 enforcement actions in FY 2013 and obtained orders imposing more than $1.7 billion in sanctions, including orders for more than $1.5 billion in civil monetary penalties and more than $200 million in restitution and disgorgement.
- CFTC's benchmark cases in FY 2013 brought enforcement actions against five major financial institutions and corporate market participants – UBS AG, UBS Securities Japan Co., Ltd., Royal Bank of Scotland, RBS Japan Securities Ltd., and ICAP Europe Limited – for their unlawful manipulative conduct and false reporting with respect to LIBOR and other benchmark interest rates. The CFTC imposed over $1 billion in civil monetary penalties in these actions and required compliance with specific undertakings designed to ensure the integrity of the LIBOR and other benchmark interest rate markets in the future. The CFTC's enforcement efforts regarding the LIBOR and other benchmark interest rates in FY 2013 (which continue today) are of significant national, and international, importance given that these benchmark rates are incorporated into a broad array of financial transactions, including mortgages, loans, credit card fees, and certain financial derivatives.
- The CFTC also filed and settled cases totaling $380 million in areas such as the protection of customer funds (MF Global, Peregrine, and others), trading

violations, futures commission merchant and introducing broker supervision violations, and precious metals fraud charges.

General Counsel

- The general counsel successfully defended the Commission in *Investment Company Institute v. CFTC*. In that case, the Investment Company Institute (ICI) and U.S. Chamber of Commerce sued the CFTC to overturn 2012 rule amendments concerning certain SEC-registered investment companies operating commodity pools. The CFTC won a complete victory in the U.S. District Court for the District of Columbia, which was affirmed by a unanimous panel of the U.S. Court of Appeals for the D.C. Circuit.
- In *Bloomberg, L.P. v. CFTC*, the general counsel successfully defended against a challenge to a 2011 rule concerning margin requirements for clearing swaps and futures. Bloomberg argued that the Commission failed to give proper notice or consider the costs and benefits of the margin requirements and that the difference in margin calculation would harm the SEF industry and thereby undermine Dodd-Frank. OGC successfully persuaded the U.S. District Court for the District of Columbia to dismiss the case on the basis that Bloomberg had no standing to challenge the rule.
- At a July 12, 2013 meeting, the Commission approved interpretive guidance and a policy statement regarding the cross-border application of the swaps provisions of the Dodd-Frank Act. The OGC was involved with complex legal questions regarding the interpretation of the Commission's cross-border authority under section 2(i) of the CEA. The cross-border guidance provides a comprehensive statement of the Commission's policy in several important areas, including swap dealer registration and the application of the Dodd-Frank Act to swaps with non-U.S. persons, reflecting a careful balancing of interests.

International

- The Commission worked with leaders of international authorities with responsibility for the regulation of the OTC derivatives markets in major market jurisdictions to support the adoption and enforcement of rigorous and consistent standards in and across jurisdictions and to develop concrete and practical solutions to conflicting application of rules and identify inconsistent or duplicative requirements.
- The CFTC worked throughout the year with foreign authorities, including the European Commission, European Securities Market Authority, and other foreign regulators to coordinate policies and to develop memorandum of understanding and other cooperative arrangements that will be needed to implement final Commission Dodd-Frank rules for market infrastructure and participants (*e.g.*, with regard to SDRs, SDs, DCOs, and SEFs).

Executive Direction and Economics

- Through system and process modernization, CFTC implemented a web-based time and attendance system eliminating the need for a paper-based process; an enterprise-wide business information system providing standardized, authoritative source data for budget formulation and archival change records; and new budget program activity codes resulting in systemic efficiencies and effective processing of financial management data.

- CFTC's economists conducted detailed cost/benefit analyses on all proposed and final Dodd-Frank rulemakings, and provided specialized quantitative and economic analyses for enforcement investigations.

Financial Highlights

The table below presents trend information for each major component of the Commission's balance sheets and statements of net cost for FY 2009 through FY 2013. The Net Cost of Operations by Strategic Goal is presented beginning with FY 2010 to align with the Commission's Strategic Plan updated in February 2011. The table is immediately followed by a discussion and analysis of the Commission's major financial highlights for FY 2013.

5-Year Financial Summary

Highlights		2013	2012	2011	2010	2009
Condensed Balance Sheet Data						
Fund Balance with Treasury	$	36,467,970	82,557,690	81,785,717	44,321,898	43,961,950
Investments		95,000,000	77,135,901	-	-	-
Accounts Receivable		13,252	20,976	59,226	4,836	18,207
Prepayments		1,541,681	1,803,497	1,109,626	641,957	558,081
Custodial Receivables, Net		69,744,626	4,140,347	2,574,173	2,319,934	1,703,220
General Property, Plant, and Equipment, Net		58,251,172	53,410,435	42,346,895	25,203,787	10,346,721
Deferred Costs		220,953	1,234,223	6,254,873	6,303,367	-
Total Assets	**$**	**261,239,654**	**220,303,069**	**134,130,510**	**78,795,779**	**56,588,179**
FECA Liabilities	$	596,353	764,243	528,512	256,801	207,532
Accounts Payable		5,092,410	7,217,772	7,092,349	7,650,033	4,081,180
Accrued Funded Payroll and Annual Leave		11,651,586	16,477,676	15,464,338	14,460,136	11,529,246
Custodial Liabilities		69,744,626	4,140,347	2,574,173	2,319,934	1,703,220
Deposit Fund Liabilities		83,997	77,098	57,127	22,226	142,279
Deferred Lease Liabilities		25,241,114	24,808,042	21,974,782	12,174,352	3,226,161
Other		19,600	19,050	19,649	7,226	7,513
Total Liabilities	**$**	**112,429,686**	**53,504,228**	**47,710,930**	**36,890,708**	**20,897,131**
Cumulative Results of Operations – Dedicated Collections		99,904,291	99,996,749	23,755,000	-	-
Cumulative Results of Operations		23,898,749	20,452,619	17,998,424	11,455,579	491,751
Unexpended Appropriations		25,006,928	46,349,473	44,666,156	30,449,492	35,199,297
Total Net Position		**148,809,968**	**166,798,841**	**86,419,580**	**41,905,071**	**35,691,048**
Total Liabilities and Net Position	**$**	**261,239,654**	**220,303,069**	**134,130,510**	**78,795,779**	**56,588,179**
Condensed Statements of Net Cost						
Gross Costs	$	218,155,538	207,618,265	187,648,360	169,540,777	131,435,739
Earned Revenue		(99,987)	(227,504)	(88,720)	(71,840)	(101,965)
Total Net Cost of Operations	**$**	**218,055,551**	**207,390,761**	**187,559,640**	**169,468,937**	**131,333,774**
Net Cost of Operations by Strategic Goal						
Goal One – Market Integrity	$	62,211,249	59,168,584	48,390,387	43,172,212	N/A
Goal Two – Clearing Integrity		57,457,638	54,647,465	43,701,396	39,081,231	N/A
Goal Three – Protect Market Users and Public		64,108,331	60,972,883	61,144,442	54,902,851	N/A
Goal Four – Cross-Border Cooperation		7,304,861	6,947,591	8,440,184	7,488,832	N/A
Goal Five – Organizational and Management Excellence		26,973,472	25,654,238	25,883,231	24,823,811	N/A
	$	**218,055,551**	**207,390,761**	**187,559,640**	**169,468,937**	**131,333,774**

Financial Discussion and Analysis

The CFTC prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance.

Management recognizes the need for performance and accountability reporting, and fully supports assessments of risk factors that can have an impact on its ability to do so. Improved reporting enables managers to be accountable and supports the concepts of the Government Performance and Results Act (GPRA), which requires the Commission to: 1) establish a strategic plan with programmatic goals and objectives; 2) develop appropriate measurement indicators; and 3) measure performance in achieving those goals.

The financial summary as shown on the preceding page highlights changes in financial position between September 30, 2013 and September 30, 2012. This overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Certain significant balances or conditions featured in the graphic presentation are explained in these sections to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes to the accompanying audit report presented in the Financial Section of this report.

Understanding the Financial Statements

The CFTC presents financial statements and notes in the format required for the current year by OMB Circular A-136, *Financial Reporting Requirements*, which is revised annually by OMB in coordination with the U.S. Chief Financial Officers Council. The CFTC's current year and prior year financial statements and notes are presented in a comparative format.

Balance Sheet

The Balance Sheet presents, as of a specific point in time, the economic value of assets and liabilities retained or managed by the Commission. The difference between assets and liabilities represents the net position of the Commission.

For the year ended September 30, 2013, the Balance Sheet reflects total assets of $261.2 million. This is an increase of $40.9 million, or 18.6 percent, over FY 2012. The increase is primarily due to a $65 million increase in Custodial Receivables, a $17.9 million increase in Investments, and a $4.8 million increase in Property, Plant, and Equipment, offset by a $46.1 million decrease in Fund Balance With Treasury.

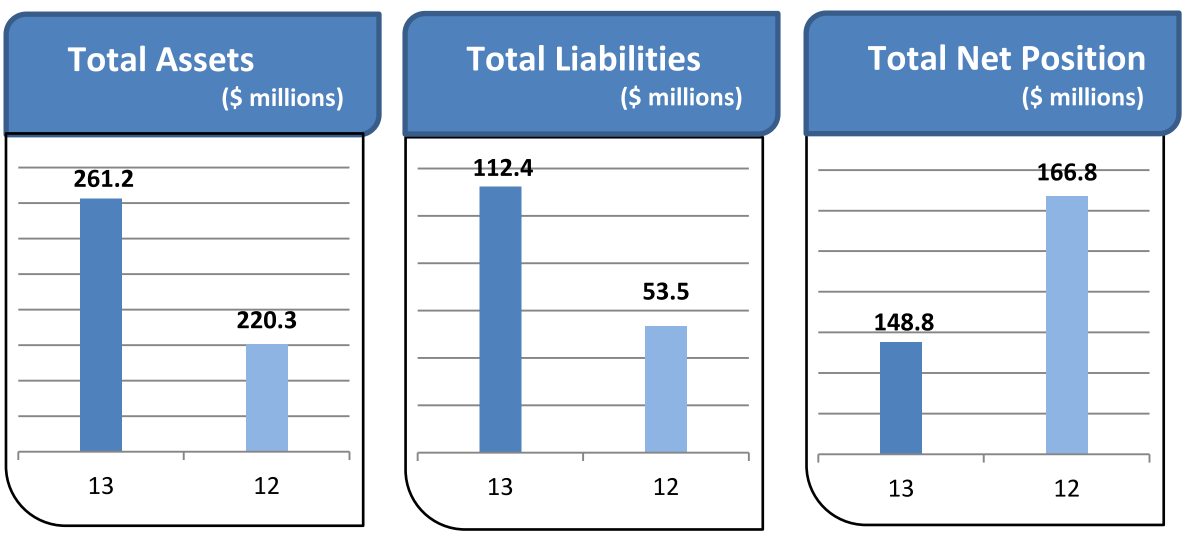
The $65 million increase in Custodial Receivables was the direct result of a $65 million custodial receivable that was established in September 2013 for a LIBOR-related enforcement action against ICAP Europe Limited that was not collected until October 2013.

CFTC began investing funds in the CFTC's CPF in overnight short-term Treasury securities in FY 2012. The $17.9 million increase in Investments occurred when the full investment level of $95 million was reached in the first quarter of FY 2013.

The $4.8 million increase in Property, Plant, and Equipment is due to an increase in the cost of fixed assets of $16.2 million less an increase in the accumulated depreciation and amortization of fixed assets of $11.3 million. The increase was attributable to technology modernization and space renovations made in New York and Washington, D.C.

The $46.1 million decrease in Fund Balance With Treasury was primarily due to four types of events and transactions. First, as discussed above, $17.9 million was invested by the CFTC's CPF in overnight short-term securities. Secondly, $15.8 million was used for the purchase of fixed assets. Third, $10.2 million was used for non-capitalized, funded expenses, mostly related to IT contracts. Finally, $812 thousand in funds from the 2008 appropriation were canceled and returned to the Treasury.

The Commission enters into commercial leases for its headquarters and regional offices. In FY 2012, the Commission extended and expanded its lease in New York, NY. These leasing arrangements allowed for monthly rent payments to be deferred until future years as well as provided for landlord contributions to space renovations. These amounts are reflected as a Deferred Lease Liability on the Balance Sheet. The $69.7 million custodial liability at FY 2013 represents a $65 million increase over FY 2012 due to the related receivable discussed above. Additionally, as should be expected from a small regulatory agency; payroll, benefits, accounts payable, and annual leave make up the majority of the remaining CFTC liabilities.



Statement of Net Cost

This statement is designed to present the components of the Commission's net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Commission experienced a 5.1 percent increase in the total net cost of operations during FY 2013.

The Statement of Net Cost is categorized by the Commission's five strategic goals:

Strategic Goal One, which tracks activities related to market integrity, continues to require a significant share of Commission resources at 28.5 percent of net cost of operations in FY 2013. The $62.2 million reflects a continuation of management's effort to address market volatility.

Strategic Goal Two is representative of efforts to protect market participants and the public by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants. In FY 2013, the net cost of operations for this goal was $57.5 million or 26.4 percent. The funding for this goal is primarily to support DOE with new and ongoing investigations in response to market activity. Investigations into crude oil and related derivative contracts, and suspected Ponzi schemes have been extremely resource intensive.

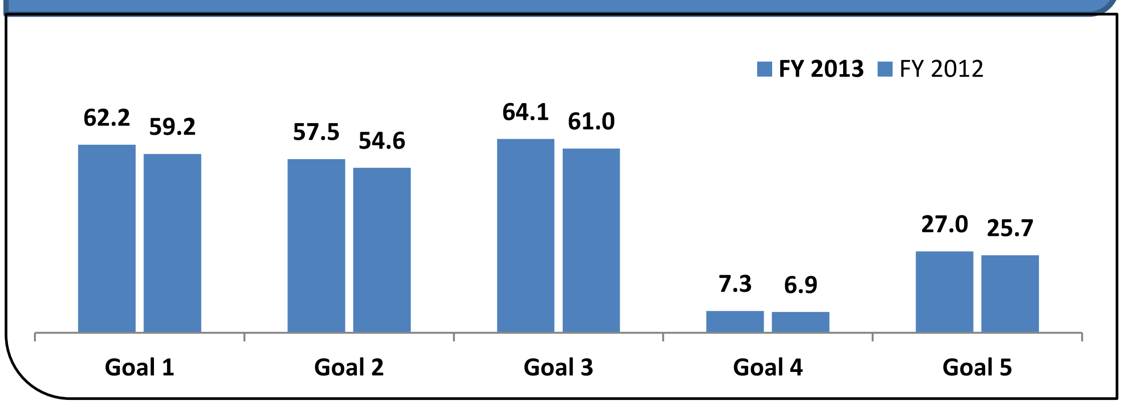
Strategic Goal Three is representative of efforts to protect the public and market participants through a robust enforcement program. In FY 2013, the net cost of operations for this goal was $64.1 million, or 29.4 percent, reflecting the Commission's continued efforts to develop concrete measures that will bring transparency, openness and competition to the swaps markets while lowering the risk they pose to the American public.

Strategic Goal Four is representative of efforts to increase cross-border cooperation to promote strong international regulatory standards. In FY 2013, the net cost of operations for this goal was $7.3 million, or 3.3 percent. The CFTC is continuing to expand its cross-border presence through cooperative agreements and active participation on international standards setting organization committees.

Strategic Goal Five is representative of efforts to achieve organizational excellence and accountability. Included in this goal are the efforts of the Chairman, Commissioners, and related staff to ensure more transparency in the commodity markets, and lay the groundwork for the future. Additionally, these costs are reflective of the planning and execution of human capital, financial management, and technology initiatives. In FY 2013, the net cost of operations for this goal was $27 million, or 12.4 percent.

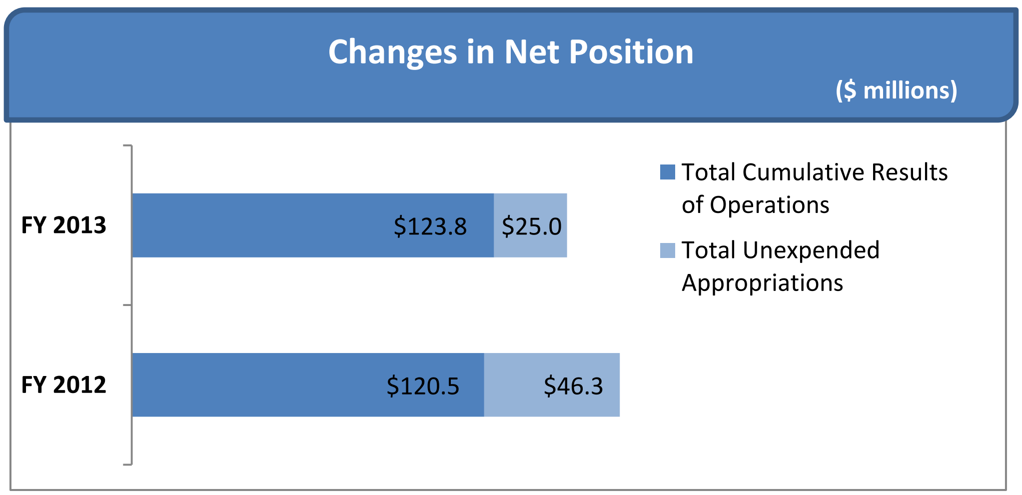
Total Net Cost of Operations By Strategic Goal

($ millions)



Statement of Changes in Net Position

The Statement of Changes in Net Position presents the Commission's cumulative net results of operation and unexpended appropriations for the fiscal year. The CFTC's Net Position decreased by $18 million, or 10.8 percent, in FY 2013. The decrease is attributed to a decrease in Total Unexpended Appropriations of $21.3 million, or 46.1 percent, partially offset by an increase in Total Cumulative Results of Operations of $3.4 million, or 2.8 percent. The decrease in Total Unexpended Appropriations is expected as a result of the Commission's continued efforts to increase market integrity and investments in technology costs to enhance market surveillance. The increase in Total Cumulative Results of Operations is due primarily to a net increase in Property, Plant, and Equipment of $4.8 million offset by an increase in unfunded liabilities of $500 thousand.



Statement of Budgetary Resources

This statement provides information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U. S. Government, FY 2013.*

$194.6 million

FY 2013 Appropriation

$223.0 million

FY 2013 Gross Outlays

The FY 2013 Appropriations totaling $193.9 million reported on the Statement of Budgetary Resources consists of $194.6 million in appropriations received ($205.3 million less a $10.7 million permanent reduction due to rescission and sequestration) less a $663 thousand temporary reduction to the Customer Protection Fund. This permitted the Commission to continue to fund benefits and compensation, lease expenses, printing, services to support systems users, telecommunications, operations, and maintenance of IT equipment at a reduced level. In FY 2013, gross outlays were in line with the gross costs of operations due to increased hiring, space renovations, and technology spending that were made possible through the use of $5.9 million in funds carried over from its FY 2012 / 2013 appropriation.

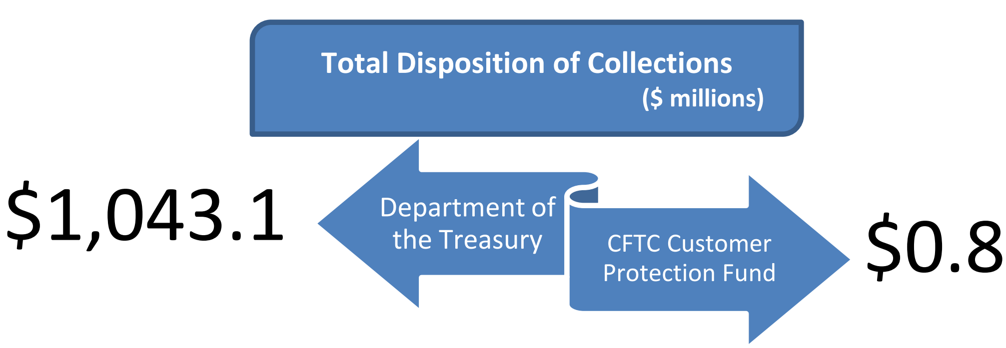
Statement of Custodial Activity

This statement provides information about the sources and disposition of collections. CFTC transfers eligible funds from dedicated collections to the CFTC CPF when the balance falls below $100 million and other non-exchange revenue to the Treasury general fund. Collections primarily consist of fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. They also include non-exchange revenues such as registration, filing, appeal fees, and general receipts. The Statement of Custodial Activity reflects total cash collections for FY 2013 in the amount of just over $1.0 billion, an increase of $782.4 million over FY 2012. This substantial increase in collections was primarily due to two large collections totaling over $1.0 billion that resulted from the Commission's enforcement cases related to unlawful manipulative conduct and false reporting of LIBOR and other benchmark interest rates. Of the just over $1.0 billion in FY 2013 cash collections, $1.0 billion was transferred to the U.S. Department of the Treasury and $817 thousand was transferred into the CFTC CPF. In addition to the amounts already collected, a $65 million custodial receivable and liability was established in September 2013 for a LIBOR-related enforcement action against ICAP Europe Limited that was not collected until October 2013.

Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. The methodology used to estimate the allowance for uncollectible amounts related to custodial accounts is that custodial receivables are considered 100 percent uncollectible unless deemed otherwise. An allowance for uncollectible accounts has been established and included in the accounts receivable on the Balance Sheet. The allowance is based on past experience in the collection of accounts receivables and an analysis of outstanding balances. Accounts are re-estimated quarterly based on account reviews and a determination that changes to the net realizable value are needed.

Total Cash Collections
($ millions)

Registration and Filing Fees	$ 1.6
Fines, Penalties, and Forfeitures	$ 1,042.2
General Proprietary Receipts	$ 0.1
	$1,043.9

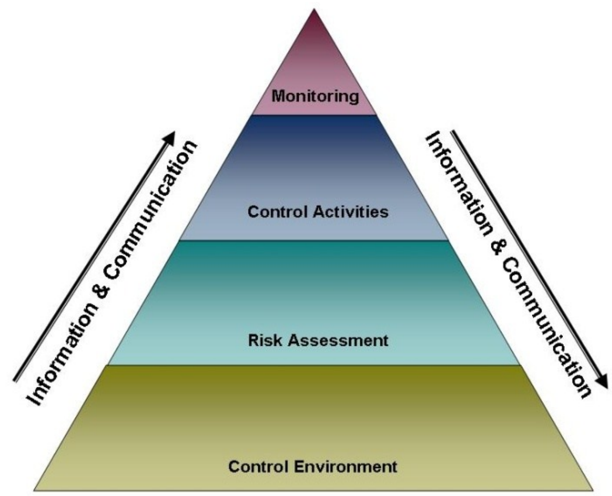


Management Assurances

Management Overview

The CFTC is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. This operating philosophy has permitted the Commission to make significant progress in documenting and testing its internal controls over financial reporting, as prescribed in OMB Circular A-123, *Management's Responsibility for Internal Control*. The graph below depicts all five components of the internal control process that must be present in an organization to ensure an effective internal control process.

- <u>Control Environment</u> is the commitment to encourage the highest level of integrity and personal and professional standards, and promotes internal control through leadership philosophy and operation style.
- <u>Risk Assessment</u> is the identification and analysis of risks associated with business processes, financial reporting, technology systems, and controls and legal compliance in the pursuit of agency goals and objectives.
- <u>Control Activities</u> are the actions supported by management policies and procedures to address risk, *e.g.*, performance reviews, status of funds reporting, and asset management reviews.



- <u>Monitoring</u> is the assessment of internal control performance to ensure the internal control processes are properly executed and effective.
- <u>Information and Communication</u> ensure the agency's control environment, risks, control activities, and performance results are communicated throughout the agency.

The Commission relies on its performance management and internal control framework to:

- Ensure that its divisions and mission support offices achieve the intended results efficiently and effectively; and
- Ensure the maintenance and use of reliable, complete, and timely data for decision-making at all levels.

Statement of Assurance

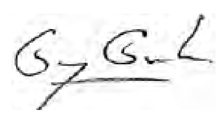
The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control*. The assurance is for internal controls over operational effectiveness (we do the right things to accomplish our mission) and operational efficiency (we do things right).

Statement of Assurance

"CFTC management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The CFTC conducted its assessment of the internal control over effectiveness and efficiency of operations, and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. *Based on the results of this evaluation, the CFTC can provide reasonable assurance that its internal control over operations, and compliance with applicable laws and regulations, as of September 30, 2013 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.*

In addition, the CFTC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the CFTC can provide reasonable assurance that its internal control over financial reporting as of June 30, 2013 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The CFTC also conducts reviews of its financial management systems in accordance with OMB Circular A-127, Financial Management Systems. *Based on the results of these reviews, the CFTC can provide reasonable assurance that its financial management systems are in compliance with applicable provisions of the Federal Financial Management Improvement Act of 1996 as of September 30, 2013."*



Gary Gensler
Chairman
December 16, 2013

During FY 2013, in accordance with FMFIA, and using the guidelines of OMB, the Commission reviewed key components of its management and internal control system.

The objectives of the Commission's internal controls are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Commission operations are properly recorded and accounted for to permit the preparation of accounts and reliable to financial and statistical reports, and to maintain accountability over assets; and

- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The efficiency of the Commission's operations is evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of the Inspector General (OIG), specifically requested studies, or observations of daily operations.

These reviews ensure that the Commission's systems and controls comply with the standards established by FMFIA. Moreover, managers throughout the Commission are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from division and office heads serve as a primary basis for the Chairman's assurance that management controls are adequate. The assurance statements are based upon each office's evaluation of progress made in correcting any previously reported problems, as well as new problems identified by the OIG, GAO, other management reports, and the management environment within each office. The items presented below are illustrative of the work performed during FY 2013:

- Pay and benefits assessment based on the authority of Section 10702 of the Public Law 107-171, Farm Security and Rural Investment Act of 2002 (FSRIA);
- Remediation of management letter matters identified in the FY 2012 audit of the Commission's financial statements and related internal controls;
- Management control reviews conducted with the express purpose of assessing internal controls;
- Management control reviews conducted with the express purpose of assessing compliance with applicable laws, regulations, government-wide policies, and laws identified by OMB in Memorandum M-09-33, *Technical Amendments to OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements*; and,
- Information security as required by the Federal Information Security Management Act (FISMA).

FMFIA Section 2, Management Control

The Commission has no declared material weakness under FMFIA for FY 2013 and FY 2012 in the area of financial reporting that hinders preparation of timely and accurate financial statements.

FMFIA Section 4, Financial Management Systems

The Commission declared no systems nonconformance under FMFIA during FY 2013 and FY 2012. The independent auditors' reports for FY 2013 and FY 2012 disclosed no instances of noncompliance or other matters that were required to be reported under *Generally Accepted Government Auditing Standards* (GAGAS) and OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (issued October 2013).

Forward Looking – Future Business Trends and Events

Evolving Industry Trends and Their Implications for CFTC

The market participants (the industry) under CFTC jurisdiction are changing how they conduct business in order to comply with new regulatory responsibilities and to exploit opportunities created by the new regulatory environment. Industry is also shifting its operating model due to other environmental influences, such as global prudential regulatory, macro-economic, and technology trends. As industry continues to evolve, the CFTC must have the ability to make accompanying changes across all components of its operations.

The Dodd-Frank Act contains many important provisions, but includes two overarching goals of reform: bringing transparency to the swaps market and lowering the risks of this market to the overall economy. Both of these reforms will better protect taxpayers from again bearing the brunt of a financial crisis and will cut costs for businesses and their customers.

This understanding is critical for the Commission's ability to appropriately regulate industry of today and tomorrow.

To begin building the bridge between industry trends and the CFTC's resource requirements, the Commission has identified five post-Dodd-Frank Act trends for discussion:

Swap Markets are Increasingly Operating under the Dodd-Frank Regulatory Framework

By FY 2015, participants in the swaps market under CFTC jurisdiction will be operating under the framework established by the Dodd-Frank Act. The low-tech, high-touch bilateral voice transactions era for swaps trading will be subsumed by trading on regulated platforms, central clearing and real-time trade reporting. The regulatory uncertainty for these market participants will have been lifted, and while some phasing and fine-tuning will likely be ongoing, the market place will be trading, settling, and reporting swaps, and reaping the benefits of risk-mitigated hedging strategies. CFTC resources will have shifted from its rule-writing focus, through a period of intense interpretative guidance development, which is likely to continue, to daily oversight of this large and complex market.

New Regulatory Environment Driving Innovations in Derivatives Markets

The industry is responding quickly to the competitive opportunities engendered by the shifting regulatory landscape—the introduction of futures contracts by DCMs that are economically equivalent to standardized swaps is one such example. Innovation in the industry, which is likely to increase in pace with the addition of new entrants (SEFs), will continue to add complexity in ways currently unanticipated. For example, the Commission is seeing new methods for executing transactions that were not proposed in previous years. While these changes will impact all of the CFTC mission activities, the near-term impacts will fall most heavily on the registration, product review, examinations, enforcement, and economic analysis mission activities.

New Regulations on Intermediaries and Growth in the Number of Regulated Intermediaries

The application of CEA core principles related to business conduct standards, reporting, and recordkeeping standards and requirements to SDs, MSPs, and end-users requires varying degrees of business process and technological changes. Large financial institutions have a high level of sophistication under prudential regulation, but may have a high-level of fragmentation in internal order, trade, and settlement information systems. Smaller entities, including some end-users, might have little to no experience under regulation (outside of accounting and auditing standards) but have such a low transaction volume that only a single information management system is in place. The Dodd-Frank business conduct standards attempt to move all the players to best practices of customer interaction, corporate governance, and recordkeeping. Likewise, Dodd-Frank reporting requirements may lead to changes to operations, infrastructure, and internal processes in order to move end-of-day transaction entry, confirmation, and reporting systems to an efficient real-time activity.

Examinations are performed by experienced examiners knowledgeable of the industry. The Commission's examinations expertise will need to be expanded to examine the electronic systems accessibility of SDRs by reporting counterparties, including SDs, MSPs, and other market participants. In addition, CFTC examinations will address SDR compliance with their responsibilities to notify the Commission in instances of untimely reporting of swap transaction data, including off-facility transactions, from reporting counterparties.

The CFTC will have to coordinate and collaborate with foreign regulators on their rules pertaining to SD and MSPs. It will have to design and implement rules, systems, and processes for acquiring data from foreign SDRs and sharing U.S. data with foreign regulators.

Growth in Clearing through DCOs, New Requirements for Uncleared Swaps, and Monitoring DCOs Reduces Swaps-Related Risks

Fundamental to the Dodd-Frank Act was heightened risk management requirements for swap counterparties. Market participants (mainly dealers) have moved to central clearing of standardized swaps prior to CFTC mandatory clearing determinations (the first of which are now in effect for a large number of market participants), reducing transaction risk to counterparties. Phase two of these rules requiring customer transactions to be cleared have also become effective. Under the Dodd-Frank Act, cleared swaps customers are required to post initial and variation margin (collateral) through their FCM (or clearing member) to avoid the accumulation of large gain and/or loss obligations. Complementary margin requirements are under consideration for uncleared swaps. In addition to posting collateral, non-bank SDs and MSPs are also required to hold minimum levels of capital under Section 731 of the Dodd-Frank Act. These capital and margin requirements (along with those regulators) are intended to reduce swaps-related systemic risk in the global financial system.

The CFTC faces a number of challenges with its new jurisdiction related to swaps. Foremost, the notional value of cleared swaps is estimated to be on the order of a factor of 13 times that of futures and options. This fact alone demonstrates the need to apply significant resources to financial and risk surveillance of swaps market participants, in addition to maintaining (if not increasing) surveillance of futures and options market participants.

Exponential Growth in Data to be Acquired, Validated, Warehoused, and Analyzed to Fulfill the Commission's Regulatory Responsibilities

The Commission is also seeking to enhance its software and automated tools to accommodate its enhanced surveillance responsibilities. The technology (data and processes) required for surveillance of swaps markets differ from those required for futures and options markets, and differ across asset classes. In addition, the ability to view risk across asset classes and in combination with futures is an overarching requirement that must also be automated. In response to the influx of new types of data from new and existing registrants, the CFTC must build its own information infrastructure and analytical capabilities to support its responsibilities as a first line regulator.

Financial Section
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A Message from the Chief Financial Officer

The public accounting firm, KPMG LLP, on behalf of the Inspector General, reported that the Commission's financial statements were presented fairly, in all material respects, and were in conformity with U.S. generally accepted accounting principles. For the seventh consecutive year the Commission had no material weaknesses, and was compliant with laws and regulations.

The CFTC leverages a financial management systems platform operated by the U.S. Department of Transportation's (DOT) Enterprise Services Center, an Office of Management and Budget (OMB) designated financial management service provider. As a consequence, the CFTC is able to accumulate, analyze, and present reliable financial information, or provide reliable, timely information for managing current operations and timely reporting of financial information to central agencies. Furthermore, our system is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (although CFTC is not required to comply with FFMIA, it has elected to do so).

Mark Carney
December 16, 2013
Chief Financial Officer

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2013 and FY 2012 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

While these statements have been prepared from the books and records of the Commission in accordance with GAAP for Federal entities and the formats prescribed by OMB Circular A-136, *Financial Reporting Requirements*, these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the understanding that they represent a component of the U.S. government, a sovereign entity. One implication of this is that the liabilities presented herein cannot be liquidated without the enactment of appropriations, and ongoing operations are subject to the enactment of future appropriations.

Principal Financial Statements

Commodity Futures Trading Commission
BALANCE SHEETS
As of September 30, 2013 and 2012

BALANCE SHEETS
As of September 30, 2013 and 2012

		2013		2012
Assets				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	36,467,970	$	82,557,690
Investments (Note 3)		95,000,000		77,135,901
Prepayments (Note 1J)		252,341		185,766
Total Intragovernmental		**131,720,311**		**159,879,357**
Custodial Receivables, Net (Note 4)		69,744,626		4,140,347
Accounts Receivable, Net (Note 4)		13,252		20,976
General Property, Plant and Equipment, Net (Note 5)		58,251,172		53,410,435
Deferred Costs (Note 6)		220,953		1,234,223
Prepayments (Note 1J)		1,289,340		1,617,731
Total Assets	**$**	**261,239,654**	**$**	**220,303,069**
Liabilities				
Intragovernmental:				
FECA Liabilities (Note 9)	$	94,605	$	127,661
Accounts Payable		269,639		523,356
Total Intragovernmental		**364,244**		**651,017**
Accounts Payable		4,822,771		6,694,416
Accrued Funded Payroll		2,903,312		7,837,836
Annual Leave		8,748,274		8,639,840
Actuarial FECA Liabilities (Note 9)		501,748		636,582
Custodial Liabilities		69,744,626		4,140,347
Deposit Fund Liabilities		83,997		77,098
Deferred Lease Liabilities (Note 10)		25,241,114		24,808,042
Other		19,600		19,050
Total Liabilities	**$**	**112,429,686**	**$**	**53,504,228**
Contingent Liabilities (Note 11)				
Net Position				
Cumulative Results of Operations - Dedicated Collections	$	99,904,291	$	99,996,749
Cumulative Results of Operations - Other		23,898,749		20,452,619
Unexpended Appropriations		25,006,928		46,349,473
Total Net Position		**148,809,968**		**166,798,841**
Total Liabilities and Net Position	**$**	**261,239,654**	**$**	**220,303,069**

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
STATEMENTS OF NET COST
For the Years Ended September 30, 2013 and 2012

Net Cost by Goal (Note 14)		2013		2012
Goal 1: Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system.				
Gross Costs	$	62,239,775	$	59,233,491
Less: Earned Revenue		(28,526)		(64,907)
Net Cost of Operations - Goal One	**$**	**62,211,249**	**$**	**$ 59,168,584**
Goal 2: Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants.				
Gross Costs	$	57,483,984	$	54,707,413
Less: Earned Revenue		(26,346)		(59,948)
Net Cost of Operations - Goal Two	**$**	**57,457,638**	**$**	**54,647,465**
Goal 3: Protect the public and market participants through a robust enforcement program.				
Gross Costs	$	64,137,728	$	61,039,770
Less: Earned Revenue		(29,397)		(66,887)
Net Cost of Operations - Goal Three	**$**	**64,108,331**	**$**	**60,972,883**
Goal 4: Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.				
Gross Costs	$	7,308,211	$	6,955,212
Less: Earned Revenue		(3,350)		(7,621)
Net Cost of Operations - Goal Four	**$**	**7,304,861**	**$**	**6,947,591**
Goal 5: Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.				
Gross Costs	$	26,985,840	$	25,682,379
Less: Earned Revenue		(12,368)		(28,141)
Net Cost of Operations - Goal Five	**$**	**26,973,472**	**$**	**25,654,238**
Grand Total				
Gross Costs	$	218,155,538	$	207,618,265
Less: Earned Revenue		(99,987)		(227,504)
Total Net Cost of Operations	**$**	**218,055,551**	**$**	**207,390,761**

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2013 and 2012

	FY 2013 Dedicated Collections	FY 2013 All Other Funds	FY 2013 Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	**$ 99,996,749**	**$ 20,452,619**	**$ 120,449,368**
Appropriations Used	-	215,085,989	215,085,989
Other Financing Sources			
Transfers - In Without Reimbursement (Note 17)	817,435	-	817,435
Imputed Financing Sources	-	5,505,799	5,505,799
Total Financing Sources	817,435	5,505,799	6,323,234
Net Cost of Operations	(909,893)	(217,145,658)	(218,055,551)
Net Change	(92,458)	3,446,130	3,353,672
Total Cumulative Results of Operations, September 30	**$ 99,904,291**	**$ 23,898,749**	**$ 123,803,040**
Unexpended Appropriations:			
Beginning Balances, October 1	**$ -**	**$ 46,349,473**	**$ 46,349,473**
Budgetary Financing Sources:			
Appropriations Received	-	205,294,000	205,294,000
Less: Other Adjustments (Rescissions, etc.)	-	(11,550,556)	(11,550,556)
Appropriations Used	-	(215,085,989)	(215,085,989)
Total Budgetary Financing Sources	-	(21,342,545)	(21,342,545)
Total Unexpended Appropriations, September 30	**$ -**	**$ 25,006,928**	**$ 25,006,928**
Net Position	**$ 99,904,291**	**$ 48,905,677**	**$ 148,809,968**

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION (Continued)
For the Years Ended September 30, 2013 and 2012

	FY 2012 Dedicated Collections	FY 2012 All Other Funds	FY 2012 Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	**$ 23,755,000**	**$ 17,998,424**	**$ 41,753,424**
Appropriations Used	-	202,899,168	202,899,168
Other Financing Sources:			
Transfers - In Without Reimbursement (Note 17)	76,708,620	-	76,708,620
Imputed Financing Sources	-	6,478,917	6,478,917
Total Financing Sources	76,708,620	6,478,917	83,187,537
Net Cost of Operations	(466,871)	(206,923,890)	(207,390,761)
Net Change	76,241,749	2,454,195	78,695,944
Total Cumulative Results of Operations, September 30	**$ 99,996,749**	**$ 20,452,619**	**$ 120,449,368**
Unexpended Appropriations:			
Beginning Balances, October 1	**$ -**	**$ 44,666,156**	**$ 44,666,156**
Budgetary Financing Sources			
Appropriations Received	-	205,294,000	205,294,000
Less: Other Adjustments (Rescissions, etc.)	-	(711,515)	(711,515)
Appropriations Used	-	(202,899,168)	(202,899,168)
Total Budgetary Financing Sources	-	1,683,317	1,683,317
Total Unexpended Appropriations, September 30	**$ -**	**$ 46,349,473**	**$ 46,349,473**
Net Position	**$ 99,996,749**	**$ 66,802,092**	**$ 166,798,841**

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2013 and 2012

		2013		2012
BUDGETARY RESOURCES				
Unobligated Balance, October 1	$	110,168,414	$	37,356,190
Recoveries of Prior Year Unpaid Obligations		3,885,172		6,327,442
Other Changes in Unobligated Balance		(812,448)		(711,515)
Unobligated Balance From Prior Year Authority		113,241,138		42,972,117
Appropriations		193,892,892		205,294,000
Spending Authority from Offsetting Collections		1,103,453		76,925,590
Total Budgetary Resources	**$**	**308,237,483**	**$**	**325,191,707**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$	203,268,997	$	215,023,293
Unobligated Balance, end of Period				
Apportioned		13,847,564		18,982,888
Unapportioned		91,120,922		91,185,526
Total Unobligated Balance, end of period		104,968,486		110,168,414
Total Status of Budgetary Resources	**$**	**308,237,483**	**$**	**325,191,707**
CHANGE IN OBLIGATED BALANCES				
Unpaid Obligations, October 1 (gross)	$	49,456,691	$	44,462,925
Uncollected Customer Payments from Federal Sources		(8,613)		(50,021)
Obligated Balance, October 1 (net)		49,448,078		44,412,904
Obligations Incurred		203,268,997		215,023,293
Outlays (Gross)		(223,042,111)		(203,702,085)
Change in uncollected customer payments from Federal Sources		(37,308)		41,408
Recoveries of Prior Year Unpaid Obligations		(3,885,172)		(6,327,442)
Obligated Balance, September 30				
Unpaid Obligations, end of year (gross)		25,798,406		49,456,691
Uncollected Customer Payments from Federal Sources, end of year		(45,922)		(8,613)
Net Obligated Balance, September 30	**$**	**25,752,484**	**$**	**49,448,078**
NET BUDGET AUTHORITY AND OUTLAYS				
Budget Authority, Gross	$	194,996,345	$	282,219,590
Actual Offsetting Collections		(1,066,145)		(76,966,998)
Change in uncollected customer payments from Federal Sources		(37,308)		41,408
Budget Authority, Net	**$**	**193,892,892**	**$**	**205,294,000**
Outlays(gross)	$	223,042,111	$	203,702,085
Actual Offsetting Collections		(1,066,145)		(76,966,998)
Distributed Offsetting Receipts		(63,000)		(3,210)
Net Outlays	**$**	**221,912,966**	**$**	**126,731,877**

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2013 and 2012

		2013		2012
Revenue Activity:				
Sources of Cash Collections:				
Registration and Filing Fees	$	1,647,387	$	1,780,883
Fines, Penalties, and Forfeitures		1,042,182,362		259,687,332
General Proprietary Receipts		62,952		3,210
Total Cash Collections		**1,043,892,701**		**261,471,425**
Change in Custodial Receivables		65,604,279		1,566,174
Total Custodial Revenue	**$**	**1,109,496,980**	**$**	**263,037,599**
Disposition of Collections				
Amounts Transferred to:				
Department of the Treasury		(1,043,075,266)		(184,762,805)
CFTC Customer Protection Fund		(817,435)		(76,708,620)
Change in Custodial Liabilities		(65,604,279)		(1,566,174)
Net Custodial Activity	**$**	**-**	**$**	**-**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

As of and For the Fiscal Years Ended September 30, 2013 and 2012

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The Commodity Futures Trading Commission (CFTC) is an independent agency of the executive branch of the Federal Government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; under the Futures Trading Practices Act of 1992; under the CFTC Reauthorization Act of 1995; under the Commodity Futures Modernization Act of 2000; and under the Dodd-Frank Act of 2010. Congress passed the Food, Conservation, and Energy Act of 2008 (Farm Bill), which reauthorized the Commission through FY 2013. The CFTC continues to operate through authorized appropriations.

The CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud.

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the Dodd-Frank Act, or the Act) was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the Treasury of the United States a revolving fund known as the "Commodity Futures Trading Commission Customer Protection Fund" (the Fund). The Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Chief Financial Officers' Act of 1990 along with the Accountability of Tax Dollars Act of 2002, and the Government Management Reform Act of 1994. They are presented in accordance with the form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended.

The principal financial statements have been prepared in all material respects from the agency's books and records in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources.

The financial statements report on the CFTC's financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities. The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results; the Statements of Changes in Net Position display the changes in the agency's equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the United States Government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

C. Budgetary Resources and Status

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. In addition, Congress enacted a permanent indefinite appropriation that is available until expended. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2013 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

D. Entity and Non-Entity Assets

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations. Non-entity assets held by the CFTC include deposit fund balances, custodial fines, interest, penalties, and administrative fees receivable.

E. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. Revolving fund custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances are returned to Treasury or transferred to the Customer Protection Fund.

The CFTC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations.

F. Investments

The CFTC has the authority to invest amounts deposited in the Customer Protection Fund in short-term market-based Treasury securities. Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional details regarding Customer Protection Fund investments are provided in Note 3.

G. Accounts Receivable, Net

Accounts receivable consists of amounts owed by other federal agencies and the public to the CFTC and is valued net of an allowance for uncollectible amounts. The allowance is based on past experience in the collection of receivables and analysis of the outstanding balances. Accounts receivable arise from reimbursable operations, earned refunds or the Civil Monetary Sanctions program.

H. General Property, Plant and Equipment, Net

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives.

The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of $25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of $25,000 or more. Property, plant and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization.

I. Deferred Costs

The Commission has received lease incentives, Tenant Improvement Allowances (TIA), from the landlords on its operating leases. These allowances can be used for construction, asset purchases, or rent expense, and are classified as deferred costs on the balance sheets. These costs are reallocated either to leasehold improvements, equipment, or if used for rent, expensed. The TIA is also amortized with the deferred lease liability over the life of the lease.

J. Prepayments

Payments to federal and non-federal sources in advance of the receipt of goods and services are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the Department of Transportation (DOT) for transit subsidy and accounting services. Prepayments to the public were primarily for software maintenance and subscription services.

K. Liabilities

The CFTC's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or funding, or are otherwise available from reimbursable transactions to pay amounts due.

Liabilities include those covered by budgetary resources in existing legislation and those not yet covered by budgetary resources. The CFTC liabilities not covered by budgetary resources include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Custodial liabilities for custodial revenue transferred to Treasury at fiscal yearend,
- Contingent liabilities,
- Deposit funds,
- Deferred lease liabilities, and
- Advances received for reimbursable services yet to be provided.

L. Accounts Payable

Accounts payable consists primarily of contracts for goods or services, such as operating leases, leasehold improvements, software development, information technology, telecommunications, and consulting and support services.

M. Accrued Payroll and Benefits and Annual Leave Liability

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. The annual leave liability is the amount owed employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service (IRS) limits; however, CSRS employees receive no matching agency contribution.

N. Leases

The CFTC does not have any capital lease liabilities. The operating leases consist of commercial property for the CFTC's headquarters and regional offices. Lease expenses are recognized on a straight-line basis.

O. Deposit Funds

Deposit funds are expenditure accounts used to record monies that do not belong to the Federal government. They are held awaiting distribution based on a legal determination or investigation. The CFTC Deposit Fund is used to collect and later distribute collections of monetary awards to the appropriate victims as restitution. The cash collections recorded in this fund are offset by a Deposit Fund liability. Activities in this fund are not fiduciary in nature because they are not legally enforceable against the government.

P. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriations that have not yet been used to acquire goods and services or provide benefits. Appropriations are considered expended, or used, when goods and services have been acquired by the CFTC or benefits have been provided using the appropriation authority, regardless of whether monies have been paid or payables for the goods, services, or benefits have been established.

Cumulative results of operations represent the excess of budgetary or other financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, exchange revenue, and unfunded liabilities.

Q. Revenues

The CFTC receives reimbursement and earns revenue for the following activities:

- Reimbursement for travel, subsistence, and related expenses from non-federal sources for attendance at meetings or similar functions that an employee has been authorized to attend in an official capacity on behalf of the Commission.
- Reimbursement for Intergovernmental Personnel Act Mobility Program assignments from state and local governments, institutions of higher education, and other eligible organizations for basic pay, supplemental pay, fringe benefits, and travel and relocation expenses.
- Reimbursement from non-federal sources for registration fees to cover the cost of expenses related to the CFTC's annual International Regulators Conference.

R. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goals is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993. (Note 15)

The mission statement of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets. The mission is accomplished through five strategic goals, each focusing on a vital area of regulatory responsibility:

- Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system,
- Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants,
- Protect the public and market participants through a robust enforcement program,
- Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide, and
- Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

S. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the Commodity Exchange Act as codified at 7 U.S.C. § 1, *et seq*, and the Commodities Futures Modernization Act of 2000, Appendix E of P.L. 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an associated custodial liability. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from bad debts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC are either returned to Treasury or when determined eligible, transferred to the Customer Protection Fund. The CFTC does not retain any amount for custodial activities including reimbursement of the cost of collection.

T. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

U. Reconciliation of Net Obligations and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its change in budgetary obligations with its net cost of operations.

V. Funds from Dedicated Collections

The Commission's Customer Protection Fund (CPF) was established to operate a whistleblower program and support customer education initiatives. See Note 1.A. for a description of the purpose of the CPF and its authority to use revenues and other financing sources. Deposits into the CPF are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of $1,000,000 and the collection is not otherwise distributed to victims of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the CPF at the time the monetary judgment is collected, exceeds $100 million. No new legislation was enacted as of September 30, 2013 that significantly changed the purpose of the earmarked fund or redirected a material portion of the accumulated balance. However, an independent assessment by the Government Accountability Office issued in November 2013 interpreted that collections should be kept intact and deposited in full into the fund as long as the fund balance is below $100 million at the time of collection.

Note 2 Fund Balance with Treasury

A. Reconciliation to Treasury

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

B. Fund Balance with Treasury

Fund Balance with Treasury consists of entity assets such as appropriations, reimbursements for services rendered, and collections of fines and penalties. Obligation of these funds is controlled by quarterly apportionments made by OMB. Work performed under reimbursable agreements is initially financed by the annual appropriation and is subsequently reimbursed. Collections of fines and penalties are distributed to harmed investors, returned to Treasury, or when eligible, transferred to the Customer Protection Fund.

Fund Balance with Treasury at September 30, 2013 and 2012 consisted of the following:

	2013	2012
Appropriated Funds	$ 31,400,740	$ 59,576,063
Customer Protection Fund	4,983,233	22,904,529
Deposit Fund	83,997	77,098
TOTAL FUND BALANCE WITH TREASURY	**$ 36,467,970**	**$ 82,557,690**

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2013 and 2012 consisted of the following:

Appropriated Funds	2013	2012
Unobligated Fund Balance		
Available	$ 1,750,729	$ 6,423,446
Unavailable	4,185,137	3,739,607
Obligated Balance Not Yet Disbursed	25,464,874	49,413,010
Total Appropriated Funds	**31,400,740**	**59,576,063**
Customer Protection Fund		
Unobligated Fund Balance		
Available	$ 4,649,700	$ 12,558,748
Unavailable	-	10,302,100
Obligated Balance Not Yet Disbursed	333,533	43,681
Total Customer Protection Fund	**4,983,233**	**22,904,529**
Deposit Fund	**83,997**	**77,098**
TOTAL FUND BALANCE WITH TREASURY	**$ 36,467,970**	**$ 82,557,690**

Note 3 Investments

In fiscal year 2012, the CFTC began investing amounts deposited in the Customer Protection Funds in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

The overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities.

The Commission's investments were $95,000,000 and $77,135,901 as of September 30, 2013 and 2012, respectively. Interest earned during fiscal years 2013 and 2012 was $50,504 and $12,918, respectively.

Note 4 Accounts Receivable, Net

Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectable values. Non-custodial accounts receivable are primarily for overpayments of expenses to other agencies, or vendors, and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the Commodity Exchange Act (CEA) or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, disgorgements, and restitutions to customers.

Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. The Commission considers all custodial receivables to be 100 percent uncollectible unless deemed otherwise. An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. The allowance is based on past experience in the collection of accounts receivable and analysis of outstanding balances. Accounts are re-estimated quarterly based on account reviews and the agency determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2013 and 2012:

	2013	2012
Custodial Receivables, Net:		
Civil Monetary Penalty Interest	$ 734,779	$ 700,973
Civil Monetary Penalties, Fines, and Administrative Fees	775,174,072	557,751,289
Less: Allowance for Loss on Interest	(733,498)	(700,957)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(707,511,077)	(555,301,289)
Registration and Filing Fees	2,080,350	1,690,331
Net Custodial Receivables	**$ 69,744,626**	**$ 4,140,347**
Other Accounts Receivable	13,252	20,976
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 69,757,878**	**$ 4,161,323**

Note 5 General Property, Plant and Equipment

Equipment and information technology (IT) assets are capitalized annually if they have useful lives of at least two years and an individual value of $25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of $25,000 or more. Depreciation for equipment and software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. Property, Plant and Equipment as of September 30, 2013 and 2012 consisted of the following:

2013 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 34,567,373	$ (18,977,527)	$ 15,589,846
IT Software	5 Years/Straight Line	21,022,534	(10,162,678)	10,859,856
Software In Development	Not Applicable	7,071,522	-	7,071,522
Leasehold Improvements	Remaining Life of Lease/Straight Line	29,327,377	(4,597,429)	24,729,948
Construction In Progress	Not Applicable	-	-	-
		$ 91,988,806	**$ (33,737,634)**	**$ 58,251,172**

2012 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 29,120,043	$ (12,815,168)	$ 16,304,875
IT Software	5 Years/Straight Line	16,485,238	(6,938,168)	9,547,070
Software In Development	Not Applicable	2,493,610	-	2,493,610
Leasehold Improvements	Remaining Life of Lease/Straight Line	23,641,222	(2,639,648)	21,001,574
Construction In Progress	Not Applicable	4,063,306	-	4,063,306
		$ 75,803,419	**$ (22,392,984)**	**$ 53,410,435**

Note 6 Deferred Costs

The Commission receives Tenant Improvement Allowances (TIA) from its landlords. These allowances are used to cover the costs of building renovations, asset purchases, or rent expenses. The TIA is initially recorded as deferred costs on the balance sheet and is amortized with the deferred lease liability over the life of the lease.

The Commission received approximately $16.2 million in TIA between FY 2010 and 2012, of which approximately $14.2 million was used to fund leasehold improvements, and $1.8 million was used to cover rental payments. The remaining, unused balance of $221 thousand is reflected as deferred costs on the balance sheet.

Deferred Costs (TIA)		2013		2012
Beginning Balance, October 1	$	1,234,223	$	6,254,873
TIA Received		-		2,868,320
TIA Used		(1,013,270)		(7,888,970)
BALANCE AS OF SEPTEMBER 30	**$**	**220,953**	**$**	**$1,234,223**

Note 7 Liabilities not Covered by Budgetary Resources

As of September 30, 2013 and 2012, the following liabilities were not covered by budgetary resources:

		2013		2012
Intragovernmental-FECA Liabilities	$	94,605	$	127,661
Annual Leave		8,748,274		8,639,840
Actuarial FECA Liabilities		501,748		636,582
Custodial Liabilities		69,744,626		4,140,347
Deposit Fund Liabilities		83,997		77,098
Deferred Lease Liabilities		25,241,114		24,808,042
Other		19,600		19,050
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$**	**104,433,964**	**$**	**38,448,620**

Note 8 Retirement Plans and Other Employee Benefits

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its past and present employees that are in excess of the amount of contributions from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the cost information to the CFTC. The CFTC recognizes the full cost of providing future pension and Other Retirement

Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

Full costs include pension and ORB contributions paid out of the CFTC's appropriations and costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. This amount was $5,505,799 for the period ended September 30, 2013 and $6,478,917 for the period ended September 30, 2012. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

Note 9 FECA Liabilities

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. Accrued FECA liabilities represent amounts due to DOL for claims paid on behalf of the agency. Accrued FECA liabilities at September 30, 2013 and September 30, 2012 were $94,605 and $127,661, respectively.

Actuarial FECA liability represents the liability for future workers compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved cases. The liability is determined using a formula provided by DOL annually as of September 30th using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefits payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for effects of inflation on the liability for FWC benefits, wage inflation factors (Consumer Price Index-Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments so benefits are stated in current-year constant dollars. Actuarial FECA liabilities at September 30, 2013 and September 30, 2012 were $501,748 and $636,582, respectively.

Note 10 Leases

The CFTC leases office space in publicly owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The lease contracts for publicly owned buildings are operating leases. The CFTC has no real property. Future estimated minimum lease payments are not accrued as liabilities and are expensed on a straight-line basis.

As of September 30, 2013, future estimated minimum lease payments through FY 2025 are as follows:

Fiscal Year		Dollars
2014	$	18,110,766
2015		18,254,669
2016		19,017,114
2017		19,411,711
2018		19,772,333
2019 and thereafter		136,003,682
Total Future Minimum Lease Payments	$	230,570,275
Add: Amount representing estimated executory costs (taxes, maintenance, and insurance)		34,139,787
Total minimum lease payments, including estimated executory costs	**$**	**264,710,062**

Lease expense is recognized on a straight-line basis because lease payment amounts vary, and in some cases, CFTC receives periods of up-front free rent, or incentive contributions (TIA) paid by the landlord. As of September 30, 2013, the Commission had received $16,199,394 in incentive awards for the renovation of space in Washington D.C., Chicago, New York and Kansas City. A deferred lease liability representing expense amounts in excess of payments to date has been recorded. The deferred lease liabilities at September 30, 2013 and September 30, 2012 were $25,241,114 and $24,808,042 respectively.

Note 11 Contingent Liabilities

The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. Additionally, the Commission discloses legal matters in which an unfavorable outcome is reasonably possible. In FY 2013, the Commission was involved in three civil matters which it believes the chance of an unfavorable outcome to be reasonably possible. The potential loss in these cases is estimated to be $473.7 thousand.

Note 12 Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2013 and 2012 consisted of the following:

		2013		2012
UNDELIVERED ORDERS	$	19,344,364	$	36,204,581

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, upward adjustments of obligations that were originally recorded in a prior fiscal year, and recoveries resulting from downward adjustments of obligations that were originally recorded in a prior fiscal year.

Note 13 Apportionment Categories of Obligations Incurred

Obligations incurred and reported in the Statements of Budgetary Resources in FY 2013 and FY 2012 were Category A and consisted of the following:

	2013	2012
Direct Obligations	$ 203,181,477	$ 214,808,706
Reimbursable Obligations	87,520	214,587
TOTAL OBLIGATIONS INCURRED	**$ 203,268,997**	**$ 215,023,293**

Note 14 Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had no material differences between the amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government for FY 2012. The Budget of the U.S. Government with actual numbers for FY 2013 has not yet been published. The expected publish date is February 2014. A copy of the Budget can be obtained from OMB's website at http://www.whitehouse.gov/omb/.

Note 15 Intra-governmental Cost and Exchange Revenue by Goal

As required by the Government Performance and Results Act of 1993, the agency's reporting has been aligned with the following major goals presented in the 2011 – 2015 CFTC Strategic Plan.

1. Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system
2. Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants
3. Protect the public and market participants through a robust enforcement program
4. Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide
5. Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources

The Net Cost of Operations is derived from transactions between the Commission and public entities, as well as with other federal agencies. The details of the intra-governmental costs and revenues, as well as those with the public, are as follows:

	2013	2012
Goal 1: Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system		
Intragovernmental Gross Costs	$ 9,973,286	$ 10,083,898
Less: Earned Revenue	-	(47,728)
Intragovernmental Net Cost of Operations	**$ 9,973,286**	**$ 10,036,170**
Gross Costs With the Public	$ 52,266,489	$ 49,149,593
Less: Earned Revenue	(28,526)	(17,179)
Net Cost of Operation With the Public	**$ 52,237,963**	**$ 49,132,414**
Total Net Cost of Operations-Goal One	**$ 62,211,249**	**$ 59,168,584**
Goal 2: Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants		
Intragovernmental Gross Costs	$ 9,211,220	$ 9,313,379
Less: Earned Revenue	-	(44,081)
Intragovernmental Net Costs of Operations	**$ 9,211,220**	**$ 9,269,298**
Gross Costs With the Public	$ 48,272,764	$ 45,394,034
Less: Earned Revenue	(26,346)	(15,867)
Net Cost of Operations With the Public	**$ 48,246,418**	**$ 45,378,167**
Total Net Cost of Operations-Goal Two	**$ 57,457,638**	**$ 54,647,465**
Goal 3: Protect the public and market participants through a robust enforcement program		
Intragovernmental Gross Costs	$ 10,277,414	$ 10,391,398
Less: Earned Revenue	-	(49,183)
Intragovernmental Net Cost of Operations	**$ 10,277,414**	**$ 10,342,215**
Gross Costs With the Public	$ 53,860,314	$ 50,648,372
Less: Earned Revenue	(29,397)	(17,704)
Net Cost of Operation With the Public	**$ 53,830,917**	**$ 50,630,668**
Total Net Cost of Operations-Goal Three	**$ 64,108,331**	**$ 60,972,883**

Goal 4: Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide		
Intragovernmental Gross Costs	$ 1,171,066	$ 1,184,054
Less: Earned Revenue	-	(5,604)
Intragovernmental Net Cost of Operations	**$ 1,171,066**	**$ 1,178,450**
Gross Costs With the Public	$ 6,137,145	$ 5,771,158
Less: Earned Revenue	(3,350)	(2,017)
Net Cost of Operations With the Public	**$ 6,133,795**	**$ 5,769,141**
Total Net Cost of Operations-Goal Four	**$ 7,304,861**	**$ 6,947,591**
Goal 5: Promote Commission excellence thorough executive direction and leadership, organizational and individual performance management, and effective management of resources		
Intragovernmental Gross Costs	$ 4,324,204	$ 4,372,163
Less: Earned Revenue	-	(20,694)
Intragovernmental Net Cost of Operations	**$ 4,324,204**	**$ 4,351,469**
Gross Costs With the Public	22,661,636	21,310,216
Less: Earned Revenue	(12,368)	(7,447)
Net Cost of Operations With the Public	**$ 22,649,268**	**$ 21,302,769**
Total Net Cost of Operations-Goal Five	**$ 26,973,472**	**$ 25,654,238**
Grand Total		
Intragovernmental Gross Costs	$ 34,957,190	$ 35,344,892
Less: Earned Revenue	-	(167,290)
Intragovernmental Net Cost of Operations	**$ 34,957,190**	**$ 35,177,602**
Gross Costs With the Public	183,198,348	172,273,373
Less: Earned Revenue	(99,987)	(60,214)
Net Cost of Operations With the Public	**$ 183,098,361**	**$ 172,213,159**
NET COST OF OPERATIONS	**$ 218,055,551**	**$ 207,390,761**

Note 16 Reconciliation of Net Obligations and Net Cost of Operations

The schedule presented in this footnote reconciles the net obligations with the Net Cost of Operations. Resources Used to Finance Activities reflects the budgetary resources obligated and other resources used to finance the activities of the agency. Resources Used to Finance Items Not Part of the Net Cost of Operations adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the Net Cost of Operations. Components Requiring or Generating Resources in Future Periods identifies items that are recognized as a component of the net cost of operations for the period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period. Components Not Requiring or Generating Resources includes items recognized as part of the net cost of operations for the period but will not generate or require the use of resources. The Net Cost of Operations in the schedule presented in this note agrees with the Net Cost of Operations as reported on the Statements of Net Cost.

RESOURCES USED TO FINANCE ACTIVITIES		2013		2012
Budgetary Resources Obligated				
Obligations Incurred	$	203,268,997	$	215,023,293
Less: Spending Authority from Offsetting Collections and Recoveries		(4,988,625)		(83,253,032)
Obligations Net of Offsetting Collections and Recoveries	$	198,280,372	$	131,770,261
Less: Offsetting Receipts		(63,000)		(3,210)
Net Obligations After Offsetting Receipts	$	198,217,372	$	131,767,051
Other Resources :				
Transfers In from Disgorgements, Fines, and Penalties	$	817,435	$	76,708,620
Imputed Financing From Costs Absorbed by Others		5,505,799		6,478,917
Total Resources Used to Finance Activities	**$**	**204,540,606**	**$**	**214,954,588**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS				
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided before Adjustments	$	16,898,076	$	(5,112,842)
Resources that Fund Expenses Recognized in Prior Periods		(167,890)		-
Offsetting Receipts		63,000		3,210
Resources that Fund the Acquisition of Fixed Assets		(15,823,712)		(12,963,942)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		**969,474**		**(18,073,574)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL REQUIRE OR GENERATE RESOURCES IN FUTURE PERIODS				
Increase in Unfunded Liabilities	$	541,506	$	757,908
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	**$**	**541,506**	**$**	**757,908**
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES				
Depreciation and Amortization	$	11,802,099	$	8,588,607
(Gain)/Loss on Disposal		548,992		-
Other		(347,126)		1,163,232
Total Components of Net Cost of Operations that will Not Require or Generate Resources	**$**	**12,003,965**	**$**	**9,751,839**
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Year	**$**	**12,545,471**	**$**	**10,509,747**
Net Cost of Operations	**$**	**218,055,551**	**$**	**207,390,761**

Note 17 Funds from Dedicated Collections

Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund (CPF), established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to the Treasury Department, the Commission can recover the funds directly from Treasury. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. An important prerequisite to implementation of the whistleblower awards program is the issuance of rules and regulations describing its scope and procedures. The Commission issued final rules implementing the Act on August 25, 2011. These rules became effective on October 24, 2011. The Commission established the Whistleblower Office in FY 2012.

Eligible collections of $817 thousand and $76.7 million were transferred into the Customer Protection Fund during FY 2013 and 2012, respectively. The following chart presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2013 and September 30, 2012:

Balance Sheets	2013	2012
Fund Balance with Treasury	$ 4,983,233	$ 22,904,529
Investments	95,000,000	77,135,901
Total Assets	**$ 99,983,233**	**$ 100,040,430**
Accounts Payable	60,116	-
Accrued Funded Payroll and Annual Leave	18,826	43,681
Total Liabilties	**$ 78,942**	**$ 43,681**
Cumulative Results of Operations - Dedicated Collections	99,904,291	99,996,749
Total Net Position	**$ 99,904,291**	**$ 99,996,749**
Total Liabilities and Net Position	**$ 99,983,233**	**$ 100,040,430**

Statements of Net Cost		
Gross Costs	$ 960,397	$ 479,789
Earned Revenue	(50,504)	(12,918)
Total Net Cost of Operations	**$ 909,893**	**$ 466,871**

Statements of Changes in Net Position		
Beginning Cumulative Results of Operations, October 1	$ 99,996,749	$ 23,755,000
Transfers-In Without Reimbursement	817,435	76,708,620
Net Cost of Operations	(909,893)	(466,871)
Net Change	(92,458)	76,241,749
Total Net Position, September 30	**$ 99,904,291**	**$ 99,996,749**

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Independent Auditors' Report

Chairman and Inspector General of the
U.S. Commodity Futures Trading Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Commodity Futures Trading Commission (CFTC), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Commodity Futures Trading Commission as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CFTC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CFTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFTC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CFTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the CFTC's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Purpose of the Other Reporting Required by **Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the CFTC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 16, 2013

Other Information
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Inspector General's FY 2013 Assessment

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Office of the
Inspector General

MEMORANDUM

TO: Gary Gensler
Chairman

FROM: A. Roy Lavik
Inspector General

DATE: December 13, 2013

SUBJECT: Inspector General's Assessment of The Most Serious Management Challenges Facing the Commodity Futures Trading Commission (CFTC)

Introduction

The Reports Consolidation Act of 2000 (RCA)[1] authorizes the CFTC to provide financial and performance information in a meaningful and useful format for Congress, the President, and the public. The RCA requires the Inspector General to summarize the "most serious" management and performance challenges facing the Agency and to assess the Agency's progress in addressing those challenges.[2] This memorandum fulfills our duties under the RCA.

In order to identify and describe the most serious management challenges, as well as the Agency's progress in addressing them, we relied on data contained in the CFTC financial statement audit and Annual Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. Since Congress left the determination and threshold of what constitutes a most serious challenge to the discretion of the Inspector General, we applied the following definition in preparing this statement:

> Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact Agency operations or strategic goals.

This memorandum summarizes the results of the CFTC's current financial statement audit, describes the Agency's progress on last year's management challenges, and finally discusses the most serious management challenges that we have identified. For FY2014, the most serious management challenge is:

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[1] P.L. 106-531, sec 3, 114 STAT. 2537 (Nov. 22, 2000), *codified at* 31 USC § 3516(a).
[2] *Id.*

- For the CFTC to deliver on Congressional expectations embedded in the Wall Street Reform and Consumer Protection Act (Dodd Frank Act), including expansion of the CFTC's regulatory footprint to the swaps markets, while adhering to government-wide budgetary constraints.

CFTC Financial Statement Audit Results

In accordance with the *Accountability of Tax Dollars Act*,[3] CFTC, along with numerous other federal entities, is required to submit to an annual independent financial statement audit by the Inspector General, or by an independent external auditor as determined by the Inspector General.[4] The results of the Fiscal Year 2013 financial statement audit will be discussed in the Annual Financial Report, and the financial statement audit is expected to result in an unmodified audit opinion.

CFTC's Progress on Last Year's Challenges

Last year, we identified two of the most serious management challenges:

- Efficient Deployment of Information Technology Resources; and,
- Expanding Delivery of Customer Protection Resources and Consumer Education.[5]

CFTC made progress on both challenges, but these challenges remain a concern due to government wide budget cuts which will require management to prioritize increased oversight responsibilities while implementing the Dodd-Frank Act.

In FY2014, under a government-wide continuing resolution, CFTC allocated $42[6] million towards technological tools-which is unchanged from FY 2013 and a decline of $9 million from FY 2012 spending levels. However, during FY2013, CFTC's regulatory responsibility over the $400 trillion[7] swaps market increased with the availability of continuous data on swap transactions that must be analyzed and sifted for anomalous activity to initiate referrals to Division of Enforcement. Therefore, this management challenge remains a concern given CFTC's declining budget under sequestration.

Our FY2013 financial statement audit of the CFTC Customer Protection Fund confirmed that the financial statements presented the fund's financial position fairly, in all material respects, and

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[3] P.L. 107-289, 116 STAT. 2049, Nov. 7, 2002, *codified at* 31 USC 3501 note.
[4] The IG's authority is found at § 304 of the CFO Act, P.L. 101-576, 104 STAT.2852, Nov. 15, 1990, *codififed* at 31 USC 3521(e).
[5] Section of 748(g) of the Dodd-Frank Act, P.L. 111-203, 124 STAT. 1376, July 21, 2010, added section 23(g) to the Commodity Exchange Act, 7 U.S.C. § 26, to establish within the Treasury of the United States a revolving fund that is available to the Agency for the payment of whistleblower awards and education initiatives. The FY2013 audit is available here: http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/cpfreport2013.pdf.
[6] CFTC– Fiscal Year 2013 Agency Financial Report, Exhibit 26.
[7] *Id.*, at page 13.

that the fund was fully funded.[8] As a result of this audit our near term goal is to evaluate how the Customer Protection fund is using its available resources to reach potential participants in the commodities markets with impartial and educational information. We have begun an audit to assess CFTC's Customer Protection Resources and Consumer Outreach Program area's emphasis on delivering targeted and educationally useful information to likely participants in the commodities related markets.

Most Serious Management Challenges for the coming year

The most serious management challenge anticipated for FY 2014 is for the CFTC to deliver on congressional expectations in the implementation of Dodd-Frank, including expansion of the CFTC's regulatory footprint to the swaps market, while adhering to government wide budgetary constraints.

CFTC has promulgated over 67 rules, orders, and guidances responsive to the Dodd-Frank Act.[9] Now that these rules are in place, management must develop additional mechanisms to shift agency productivity from rule writing to rule implementation. As we have identified in the past, technological spending can increase staff productivity, but the sheer volume and complexity of industry-supplied data mandates that knowledgeable agency staff be on hand to provide the guidance necessary to efficiently monitor the markets. With the availability of ownership control[10] information across markets, CFTC surveillance of the swaps markets is broader and more complex than the agency's pre-Dodd Frank Act mission of monitoring futures and options on futures markets. Therefore, the agency must adjust its regulatory strategy to reflect its expanded jurisdiction.

Moreover, increased reportable data will increase stakeholders' expectation that CFTC will conduct a robust oversight of the swaps market. On January 1, 2013, certain swap market participants began reporting new and historical swap data to Swap Data Repositories pursuant to 17 CFR Part 45, and the Commission began the process of analyzing these new data and incorporating them into the weekly CFTC Swaps Report available on its website.[11] As a consequence, the agency must now devote labor to the continuous surveillance of the swaps markets. In addition, the agency is expanding its oversight of Swap Execution Facilities (SEFs) -- trading platforms that must be registered with the CFTC. Such structural changes will require the CFTC to expand compliance reviews of SEFs as they come online. This reinforces our assessment that the agency, in the near future, will have to examine its current labor skill set and reallocate resources – a challenge during sequestration – towards compliance matters as opposed to rule making.

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[8] The audit report is available here: http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/cpfreport2013.pdf.

[9] See remarks of Chairman Gensler at the CME Global Financial Leadership Conference, Nov. 19, 2013 (available here: http://www.cftc.gov/PressRoom/SpeechesTestimony/opagensler-153).

[10] See Remarks of Chairman Gensler, Ownership and Control ("OCR") Reports, Forms 102/102S, 40/40S, and 71, October 30, 2013 (available at: http://www.cftc.gov/PressRoom/SpeechesTestimony/genslerstatement103013); see also 78 FR 69177-69266 (Nov. 18, 2013)(Final rules for ownership and control reports, effective date Feb. 18, 2014, available at: http://www.gpo.gov/fdsys/pkg/FR-2013-11-18/pdf/2013-26789.pdf).

[11] *See* http://www.cftc.gov/MarketReports/SwapsReports/index.htm.

Relevant OIG audits

My Office plans to contribute meaningful independent analyses towards aiding the agency to explore solutions to its challenges. Toward that goal my office is completing an audit of CFTC compliance with information security management requirements and has initiated an audit to examine the CFTC's recent allocation of resources to information technology. As previously mentioned, we are also conducting an audit to assess CFTC's Customer Protection Resources and Consumer Outreach Program area's emphasis on delivering targeted and educationally useful information to likely participants in the commodities related markets. These audits along with our two financial statement audits and other program audits and reviews provide us with valuable data for evaluating future challenges at the CFTC.

End

Summary of Audit and Management Assurances

Summary of FY 2013 Financial Statement Audit

Audit Opinion	Unmodified (Unqualified)				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	**0**			**0**

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0				0
Effectiveness of Internal Control over Operations (FMFIA 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0				0
Conformance with Financial Management System Requirements (FMFIA 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0				0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	No Noncompliance noted	No Noncompliance noted
1. System Requirements	No Noncompliance noted	
2. Accounting Standards	No Noncompliance noted	
3. USSGL at Transaction Level	No Noncompliance noted	

Improper Payments

The Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant improper payments.

The Commission does not administer grant, benefit, or loan programs. CFTC's most significant expenses are payroll and benefits for its employees, which are administered by the USDA's National Finance Center and the OPM. Based on the results of transaction testing applied to a sample of FY 2013 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the Commission has determined that none of its programs and activities are susceptible to significant improper payments at or above the threshold levels set by OMB.

Significant erroneous payments are defined as annual erroneous payments in the program exceeding both $10 million and 2.5 percent, or $100 million of total annual program payments. In accordance with Appendix C of OMB Circular A-123, the Commission is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan if the program is not susceptible to significant improper payments.

Appendix
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Glossary of Abbreviations and Acronyms

The CFTC Glossary

A Guide to the Language of the Futures Industry

http://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/index.htm

Because the acronyms of many words and phrases used throughout the futures industry are not readily available in standard references, the Commission's Office of Public Affairs compiled a glossary to assist members of the public.

This glossary is not all-inclusive, nor are general definitions intended to state or suggest the views of the Commission concerning the legal significance, or meaning of any word or term. Moreover, no definition is intended to state or suggest the Commission's views concerning any trading strategy or economic theory.

Glossary of Acronyms

U.S. Federal Law

CEA	Commodity Exchange Act
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Farm Bill	Food, Conservation, and Energy Act
FECA	Federal Employees' Compensation Act
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FSRIA	Farm Security and Rural Investment Act
GPRA	Government Performance and Results Act
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act

CFTC Divisions and Offices

DCR	Division of Clearing and Risk
DMO	Division of Market Oversight
DOE	Division of Enforcement
DSIO	Division of Swap Dealer and Intermediary Oversight
OCE	Office of the Chief Economist
OCO	Office of Consumer Outreach
ODT	Office of Data and Technology
OED	Office of the Executive Director
OGC	Office of the General Counsel
OIA	Office of International Affairs

OIG	Office of the Inspector General
WBO	Whistleblower Office

U.S. Federal Departments and Agencies

CFTC	U.S. Commodity Futures Trading Commission
DOL	U.S. Department of Labor
DOT	U.S. Department of Transportation
GAO	Government Accountability Office
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SEC	U.S. Securities and Exchange Commission
USDA	U.S. Department of Agriculture

Other Abbreviations

AFR	Agency Financial Report
AP	Associated Person
APR	Annual Performance Report
BC-DR	Business Continuity and Disaster Report
CPF	CFTC Customer Protection Fund
CPO	Commodity Pool Operator
CSRS	Civil Service Retirement System
CTA	Commodity Trading Advisor
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
EEMAC	Energy and Environmental Markets Advisory Committee
FASAB	Federal Accounting Standards Advisory Board
FSB	Financial Stability Board
FB	Floor Broker
FCM	Futures Commission Merchants
FBOT	Foreign Board of Trade
FERS	Federal Employees' Retirement System
FINRA	Financial Industry Regulatory Authority
FT	Floor Trader
FTE	Full-time Equivalent
FWC	Future Workers Compensation
FY	Fiscal Year
GAAP	U.S. Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
IB	Introducing Broker
IOSCO	International Organization of Securities Commissions
IT	Information Technology
LIBOR	London Interbank Offered Rate
MD&A	Management's Discussion and Analysis
MSP	Major Swap Participants
NFA	National Futures Association

ORB	Other Retirement Benefits
OTC	Over-the-Counter
RFED	Retail Foreign Exchange Dealer
SD	Swap Dealer
SDR	Swap Data Repository
SEF	Swap Execution Facility
SES	Senior Executive Service
SIDCO	Systemically Important DCOs
SRO	Self-Regulatory Organization
SFFAS	Statement of Federal Financial Accounting Standards
TAC	Technology Advisory Committee
TIA	Tenant Improvement Allowance
US	United States

CFTC Whistleblower Program

How does the whistleblower program work?

- The CFTC will pay monetary awards to eligible whistleblowers who voluntarily provide us with original information about violations of the Commodity Exchange Act that lead us to bring enforcement actions that result in more than $1 million in monetary sanctions.
- The CFTC can also pay whistleblower awards based on monetary sanctions collected by other authorities in actions that are related to a successful CFTC enforcement action, and are based on information provided by a CFTC whistleblower.
- The total amount of a whistleblower award will be between 10 and 30 percent of the monetary sanctions collected in either the CFTC action or the related action.

Who can be a whistleblower?

- A whistleblower can be any person who sends us original information, from a corporate office or insider, to a trader or market observer, to an investor or fraud victim.

How can I become a whistleblower?

To become a whistleblower, you must complete and submit a Form TCR either electronically, by mail or by facsimile.

To submit a Form TCR electronically, visit http://www.cftc.gov, and click on the **"File a Tip or Complaint" button** on the right-hand side of the page. Use the first link under the description of the whistleblower program.

To submit a Form TCR by mail or facsimile, print a Form TCR from the **"Whistleblower Program" webpage** on http://www.cftc.gov, and use the following address or number:

Commodity Futures Trading Commission
Whistleblower Office
1155 21st Street, NW Washington, DC 20581
Fax: 202.418.5975

Am I protected against retaliation?

The Dodd-Frank Act prohibits retaliation by employers against individuals who provide us with information about possible violations of the Commodity Exchange Act, or who assist us in any investigation or proceeding based on such information.

Learn more about the anti-retaliation provisions by reading Appendix A to the Whistleblower Rules.

How can I learn more?

Visit the **"Whistleblower Program" webpage**, which has copies of our rules, filing forms, notices and frequently asked questions.

Consumer Protection—Fraud Awareness, Prevention and Reporting

Trading Futures and Options: Protection Against Fraud

The CFTC is the Federal agency that regulates the trading of commodity futures and option contracts in the United States and takes action against firms or individuals suspected of illegally or fraudulently selling commodity futures and options. The CFTC's fraud awareness, prevention and reporting initiatives involve: developing an outreach effort designed to help individual investors/traders identify and avoid fraud, or encourage them to report known or suspected instances of it.

About the Futures Markets

- Individual investors/traders or "retail customers" rarely ever trade commodity futures and options.
- Trading commodity futures and options is a volatile, complex, and risky venture.
- Many individual traders lose all of their initial payment, and they could owe more than the initial payment.
- Some individual investors/traders unknowingly fall for completely fraudulent schemes which cause tremendous financial loss and emotional hardships.

Before you trade

Know the basics in futures trading:

- Consider your financial experience, goals and resources and determine how much you can afford to lose above and beyond your initial payment.
- Understand commodity futures and options contracts and your obligations in entering into them.
- Understand your exposure to risk and other aspects of trading by thoroughly reviewing disclosure documents your broker is required to give you.
- Know that trading on margin can make you responsible for losses much HIGHER than the amount you initially invested.
- Immediately contact CFTC if you have a problem or question.

Watch out for these warning signs:

- Get-rich-quick schemes that sound too good to be true. Once your money is gone, it may be impossible to get it back.
- Predictions or guarantees of large profits. Always get as much information as you can about a firm or individual's track record and verify that information.
- Firms or individual who say there is little risk. Written risk disclosure statements are important to read thoroughly and understand.
- Calls or emails from strangers about investment or trading opportunities.
- Requests for immediate cash or money transfers by overnight express, the Internet, mail, or any other method.

What should you do?

- Visit our website for more information:

  www.cftc.gov/ConsumerProtection

- Report possible violations of commodity futures trading laws by calling the CFTC's Division of Enforcement at: 866.FON.CFTC (866.366.2382)
- Submit our online form located at:

  www.cftc.gov/ConsumerProtection/FileaTiporComplaint

- Send us a letter addressed to:

Commodity Futures Trading Commission
Office of Cooperative Enforcement
1155 21st Street, NW Washington, DC 20581